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# MONTH IN REVIEW: JULY 2001

## Reports, Testimony, Correspondence, and Other Publications

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### Highlights

**Food Safety:** Federal Oversight of Shellfish Safety Needs Improvement. Page 2.

**Invasive Species:** Obstacles Hinder Federal Rapid Response to Growing Threat. Page 11.

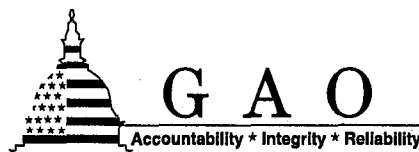
**Consumer Finance:** College Students and Credit Cards. Page 15.

**Telecommuting:** Overview of Potential Barriers Facing Employers. Page 46.

**Air Force Inventory:** Parts Shortages Are Impacting Operations and Maintenance Effectiveness. Page 52.

**Aviation Rulemaking:** Further Reform Is Needed to Address Long-Standing Problems. Page 60.

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# Contents

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## Month in Review: July 2001

Agriculture and Food	3
Budget and Spending	6
Business, Industry, and Consumers	7
Energy	8
Environmental Protection	11
Financial Institutions	15
Financial Management	18
Government Operations	25
Health	39
Housing	43
Income Security	46
Information Management	47
International Affairs	50
Justice and Law Enforcement	51
National Defense	54
Natural Resources	59
Science, Space, and Technology	60
Social Services	61
Transportation	62
Veterans Affairs	66
Reports on Agency Rules	67
Legal Decisions and Opinions	68

# Contents

01/15/2001

	Executive Summary	1
	Background	2
	Findings	3
	Recommendations	4
	Appendix A	5
	Appendix B	6
	Appendix C	7
	Appendix D	8
	Appendix E	9
	Appendix F	10
	Appendix G	11
	Appendix H	12
	Appendix I	13
	Appendix J	14
	Appendix K	15
	Appendix L	16
	Appendix M	17
	Appendix N	18
	Appendix O	19
	Appendix P	20
	Appendix Q	21
	Appendix R	22
	Appendix S	23
	Appendix T	24
	Appendix U	25
	Appendix V	26
	Appendix W	27
	Appendix X	28
	Appendix Y	29
	Appendix Z	30

# Month in Review: July 2001

## Agriculture and Food

### **Dairy Industry:**

#### **Information on Milk Prices and Changing Market Structure**

GAO-01-561, June 15 (120 pages).

Each year the United States produces about 7 billion gallons of fluid drinking milk that generate \$22 billion in retail sales. Farmers, cooperatives, wholesale milk processors, and retailers all work to move milk from the dairy farm to the consumer. Each of these entities performs a distinct function in the production, processing, distribution, and sale of milk, and each receives a portion of the retail price of a gallon of milk. Fluid milk prices at the farm-level have fallen sharply, prompting Congress to authorize almost a billion dollars in emergency assistance to dairy farmers in the last three years. Fluid milk prices at the retail level, however, have not experienced a similar decline. Concerns have been raised about the growing price spread between farm and retail milk prices. This report examines (1) factors that influence the price of milk as it moves from the farm to the consumer; (2) the proportionate breakdown of the retail price of a gallon of milk received by farmers, cooperatives, wholesale milk processors, and retailers; (3) how changes in farm and retail milk prices affect the farm-to-retail milk price spread; (4) how price changes at any level of the marketing chain relate to changes in price at other levels; and (5) the retail prices of the four types of fluid milk—whole, 2-percent, 1-percent, and skim—in selected markets.

### **Farm Programs:**

#### **Information on Recipients of Federal Payments**

GAO-01-606, June 15 (38 pages).

Payments to farmers under federal farm programs have reached an historic high—more than \$20 billion in fiscal year 2000. Nearly half of U.S. farms are receiving payments for income or price support purposes and for activities such as land conservation. These payments made up almost one-half of net farm income in fiscal year 2000. Despite the annual influx of billions of federal dollars to the farm sector, the U.S. Department of Agriculture (USDA) reports that the number of farms has been declining about one percent per year, with the most notable declines occurring in small family farms and young farmers. GAO reviewed USDA's annual surveys of U.S. farm operations—called the Agricultural Resource Management Study—and state and crop information from its Program Payments Reporting System to

(1) determine the distribution of farm payments over the past decade by farm size, operators' age, state, and crop and (2) identify the major barriers that make it difficult for young people to enter farming. GAO found that in recent years, more than 80 percent of farm payments have been made to large- and medium-sized farms, while small farms have received less than 20 percent of the payments. Even though small farms substantially outnumber medium and large farms, the average payment to small farms was much less than the average payment to medium and large farms because payments are generally based on volume of production. The distribution pattern for 1999 was similar to that of the other years during the past decade, but the portion of the payments going to large farms has increased and the portion going to small farms has decreased since 1996. Farmers under age 35 received about 6 percent of farm payments, while farmers ages 35 through 54 received 56 percent of the payments. Farm payments are principally directed at producers of eight major crops: wheat, corn, barley, oats, sorghum, rice, cotton, and oilseeds. All states received a portion of payments, but six states—Iowa, Illinois, Texas, Kansas, Nebraska, and Minnesota—together received almost half of the payments in 1999. The major obstacle facing young people who wish to enter farming is the high cost of acquiring the needed assets, principally farmland and farm machinery. Although farm program payments can help beginning farmers once they have started farming, the payments can also present a hurdle because their value is reflected in a higher price to buy or lease the farmland.

#### **Food Safety:**

#### **Federal Oversight of Shellfish Safety Needs Improvement**

GAO-01-702, July 9 (50 pages).

Molluscan shellfish—oysters, clams, mussels, and scallops—cause more than 100,000 illnesses annually, according to the most recent available estimates made by the Food and Drug Administration (FDA). Unlike meat and most other seafood products, which are normally cooked before consumption, shellfish are often eaten raw, increasing the risk of illness. The severity of illnesses that occur from contaminated shellfish varies from mild gastrointestinal discomfort to death. The vibrio vulnificus (*V. vulnificus*) bacteria in shellfish, primarily raw oysters, have caused 275 reported illnesses and 143 deaths since 1989. FDA, state regulators, and shellfish industry representatives formed the Interstate Shellfish Sanitation Conference (ISSC) in 1982 to promote uniform shellfish policies for the safe harvesting, processing, and distribution of fresh and frozen shellfish.

In 1997, FDA required processors of seafood, including shellfish, to implement Hazard Analysis Critical Control Point (HACCP) systems. Processors of raw molluscan shellfish must identify likely safety hazards and establish controls to prevent or reduce contamination to acceptable levels. This report reviews (1) FDA's approach to oversight of state and foreign shellfish safety programs and (2) the ISSC's strategy for reducing the illnesses and deaths associated with *V. vulnificus* bacteria. GAO found several weaknesses in FDA's oversight of domestic and foreign safety programs. FDA does not use existing information, including shellfish production and illness data, to make risk-based decisions about which programs should receive the most oversight. FDA's ability to fully assess relative risk and allocate its limited resources is limited by weaknesses in the compliance and effectiveness information it gathers on state and foreign country shellfish safety programs. FDA also lacks objective, measurable data on the effectiveness of HACCP requirements and other state and foreign country efforts to reduce the amount of bacteria in shellfish and associated illnesses. ISSC's efforts to reduce *V. vulnificus*-related illnesses and deaths have been ineffective. ISSC is now developing a strategy to educate at-risk consumers with a goal of reducing the number of shellfish-related illnesses and deaths by 60 percent by 2008.

**Tobacco Settlement:  
States' Use of Master Settlement Agreement Payments**

GAO-01-851, June 29 (69 pages).

The attorneys general of 46 states signed a settlement agreement in 1998 with the nation's largest tobacco companies. The agreement requires the tobacco companies to make annual payments to the states in perpetuity as reimbursement for past tobacco-related costs. Florida, Minnesota, Mississippi, and Texas reached earlier individual settlements with the tobacco companies. States are free to use the money for any purpose. This report examines (1) the amount of payments received by the states and the states' decision-making processes on the allocation of payments in fiscal years 2000 and 2001 and (2) the types of programs that states funded with their payments in those two fiscal years. As of April 2001, GAO found that 45 of the 46 states received nearly \$13.5 billion of the \$206 billion estimated to be paid by the tobacco companies during the first 25 years of the agreement. Many states established dedicated funds to receive at least part of the payments. Other states passed legislation to ensure that payments are used to supplement existing state funds, enacted laws governing the future use of the payments, established voter approved initiatives to decide

how to allocate the payments, and created special commissions to develop recommendations and long-term plans for the payments. The types of programs that states tended to fund were tobacco control and health care.

## Budget and Spending

### Defense Budget:

#### Need for Continued Visibility Over Use of Contingency Funds

GAO-01-829, July 6 (14 pages).

Since the end of the Persian Gulf War in February 1991, the Department of Defense (DOD) has reported more than \$25 billion in incremental costs for its overseas contingency operations. These operations include the enforcement of no-fly zones, humanitarian assistance, and peace enforcement operations. Most of these costs (\$22 billion) have been incurred in the Balkans (Bosnia and Kosovo) and Southwest Asia. In fiscal year 2001, U.S. military forces continue to participate in several contingency operations, primarily in the Balkans and Southwest Asia. This report reviews (1) the adequacy of DOD's incremental contingency operations funding for all ongoing contingency operations in fiscal year 2001, (2) DOD's estimated contingency operations costs for fiscal year 2002, and (3) the ramifications of DOD's plan to change the method for funding its operations in Southwest Asia. GAO found that existing funds will cover DOD's estimated costs for ongoing contingency operations for fiscal year 2001. In June 2001, the administration submitted a revised fiscal year 2002 budget for DOD, which included \$4 billion for ongoing operations in the Balkans and Southwest Asia. Although appropriating funds directly to the services' appropriations accounts could provide an added incentive to better control costs, it could also result in a loss of visibility for Southwest Asia funds and the possible discontinuance of cost reporting for operations in Southwest Asia.

## Testimony

Budget Process: Considerations for Updating the Budget Enforcement Act, by Susan J. Irving, Director for Federal Budget Analysis Issues, Strategic Issues, before the House Committee on Budget.

GAO-01-991T, July 19 (16 pages).

This testimony discusses the budget process established by the Budget Enforcement Act, which will expire in fiscal year 2002. Because the goal of achieving zero deficits has been achieved, the focus of the budget process



has shifted to the allocation of surpluses among debt reduction, spending increases, and tax cuts. The budget process should be designed to avoid what has been described as the year-end "train wreck." A year-end "train wreck" results from a failure to reach agreement—or at least a compromise acceptable to all parties—earlier in the year. Although it is possible that early agreement on some broad parameters could facilitate a smoother process, it is not clear that such an agreement will always prevent gridlock—it may just come earlier. Two ideas that have been proposed to avert the year-end disruption caused by an inability to reach agreement on funding the government include joint budget resolutions and biennial budgeting. In discussing alternatives for improving the budget process, there is a broad consensus among observers and budget analysts that the spending constraints established by the act are necessary even with the advent of actual and projected surpluses. Such constraints include (1) extending the discretionary spending caps, (2) extending the pay-as-you-go mechanism, and (3) creating a trigger device or set of rules specifically designed to deal with the uncertainty of budget projections.

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## Business, Industry, and Consumers

### **Small Business Administration: Status of Achieving Key Outcomes and Addressing Major Management Challenges**

GAO-01-792, June 22 (29 pages).

This report reviews the Small Business Administration's (SBA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 to assess SBA's progress in achieving selected key outcomes that are important to its mission. SBA's reported progress in achieving its outcomes is mixed. However, GAO had difficulty assessing SBA's progress due to weaknesses in its performance measures and data. GAO was unable to assess SBA's lack of an explanation about how the strategies relate to the outcomes or a discussion regarding strategies for the outcome. GAO identified some improvements from SBA's prior year report and plan, but several weaknesses persist in SBA's fiscal year 2000 performance report and fiscal year 2002 performance plan. The performance report includes a section that summarizes SBA's programs, a matrix that identifies ongoing and closed audit reviews, and several recommendations associated with each. However, SBA omitted time frames or schedules for achieving unmet goals, lacked strategies for meeting unmet goals, and failed to adequately link strategies to indicators and measures.

## Testimony

**Consumer Protection: Federal Actions to Oversee the Household Goods Moving Industry Are Unlikely to Have Immediate Impact**, by Jayetta Hecker, Director, Physical Infrastructure, before the House Subcommittee on Highways and Transit, Committee on Transportation and Infrastructure.

GAO-01-819T, July 12 (8 pages).

Consumer complaints against household good carriers have soared in the last five years, yet the Department of Transportation (DOT) has done little to oversee the industry. Although DOT does not collect nationwide information on consumer complaints against household good movers, it estimates that it receives about 4,000 complaints each year. Consumer protection in the interstate household goods moving industry is a relatively low priority for DOT compared with its primary mission of promoting motor carrier safety. The Federal Motor Carrier Safety Administration (FMCSA) has fallen behind in its recent efforts to improve industry oversight and consumer protection. FMCSA has failed to meet the milestones for completing many of its efforts and has extended its deadlines by as much as a year. In addition, DOT has not completed a study on the effectiveness of arbitration as a way to settle household goods disputes, even though the law mandated that the study be completed by 1997. DOT now plans to conduct the study between 2003 and 2005. This testimony summarizes a March report (GAO-01-318).

## Energy

**California Electricity Market Options for 2001: Military Generation and Private Backup Possibilities**

GAO-01-865R, June 29 (30 pages).

Since May 2000, California's restructured electricity market has experienced rapidly rising prices and uncertain reliability. In response to disruptions in service, or blackouts, the state has taken steps to increase electricity supplies and to reduce demand through conservation. The California Independent System Operator, the agency in charge of balancing electricity supply with demand, expects high prices and disruptions to persist, and perhaps even worsen, in the summer of 2001. This report reviews (1) the condition of California's electricity market, including changes in demand, supply, and prices; (2) the extent to which the Department of Defense (DOD) can help enhance western electricity supplies during the summer of 2001; and (3) available private backup

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generation resources and any benefits and problems associated with their deployment. GAO found that electricity demand has risen sharply in recent years while supply has not kept up with the demand, causing higher prices. DOD could help augment western electricity supplies by generating an estimated 90 megawatts of electricity and implementing conservation initiatives. The use of private generation is limited because of business and environmental risks.

**California Electricity Market:  
Outlook for Summer 2001**

GAO-01-870R, June 29 (6 pages).

As the electricity industry restructures, California and the west have witnessed extraordinarily high wholesale prices and sharp limitations on the availability of electricity. In California, high prices have led to financial problems for the state's utilities, power outages, and rate increases. In other Western states, the high prices have also led to rate increases for consumers. This report assesses the outlook for California's electricity supplies this summer. Because of a lack of timely access to key information and limitations in other data, GAO was unable to assess likely conditions in California. To make an independent, reliable assessment, GAO would need access to data underlying key supply and demand factors, such as power plant outages and electricity supplies that could be imported into California. Furthermore, forecasts of California's electricity market show stark differences in the expected conditions this summer.

**Technology Transfer:  
DOE Has Fewer Partnerships, and They Rely More on Private  
Funding**

GAO-01-568, July 6 (23 pages).

The National Competitiveness Technology Transfer Act encourages federal laboratories run by contractors to enter into cooperative research and development agreements (CRADA) with businesses, universities, and other private partners. The act was designed to improve the United States' competitive position in the world economy by facilitating the transfer of technology from federal laboratories to U.S. businesses. This report reviews the National Nuclear Security Administration's (NNSA) (1) use of CRADAs and (2) views on the advantages and disadvantages of CRADAs. GAO found that NNSA has reduced its use of CRADAs while entering into

more agreements fully funded by private partners. Dedicated funding for CRADAs was gradually phased out and program managers at the laboratories were supposed to rely on regular research funding to make up the shortfall. However, NNSA laboratory managers have said that because the funding has not been replaced with research money, their laboratories have either prematurely terminated many CRADAs or required the private partners to fully fund the work. NNSA officials believe that CRADAs offer both advantages and disadvantages. CRADAs have allowed laboratories to recruit and retain experienced staff and have improved U.S. businesses' position in the global economy. However, CRADAs also compete for limited funding and generally take longer to execute because of the complexity of the agreements.

## Testimony

Licensing Hydropower Projects: Better Time and Cost Data Needed to Reach Informed Decisions About Process Reforms, by Barry T. Hill, Director, Natural Resources and Environment, before the House Subcommittee on Energy and Air Quality, Committee on Energy and Commerce.

GAO-01-921T, June 27 (8 pages).

Hydropower projects generate about 10 percent of all electricity produced in the United States. Federally owned and operated hydropower projects generate about half of this amount, while about 1,000 nonfederally owned and operated hydropower projects, which are licensed by the federal government, generate the rest. Some licensees and other participants in the licensing process have expressed concern that obtaining a license takes too long and costs too much. In response, the Federal Energy Regulatory Commission (FERC) established an alternative licensing process, and other federal agencies undertook reforms to streamline the licensing process. However, these reforms did not quell the concerns. In November 2000, Congress directed FERC to review the policies, procedures, and regulations on the licensing of nonfederal hydropower projects to determine how to reduce the time and costs associated with obtaining a license. This testimony discusses (1) the process used by FERC to issue licenses to build and to operate nonfederal hydroelectric power projects and (2) FERC's congressionally mandated report on hydroelectric licensing policies, procedures, and regulations.

## Environmental Protection

### **EPA's Science Advisory Board Panels: Improved Policies and Procedures Needed to Ensure Independence and Balance**

GAO-01-536, June 12 (47 pages).

This report reviews the policies and procedures of the Environmental Protection Agency's Science Advisory Board to ensure that (1) its peer review panelists are independent and the panels are properly balanced and (2) the public is sufficiently informed about the points of view represented on the panels. GAO found that the policies and procedures used by the staff office to ensure the independence of the Board's peer reviewers and the balancing of viewpoints have limitations that reduce their effectiveness. The staff office has not systematically requested information that is needed to assess the independence and overall balance of viewpoints represented on the panel—such as previous public positions the panelists have taken on the matter being reviewed—until the first meeting, when the panelists have already been chosen. Furthermore, conflicts of interest may not be identified and mitigated in a timely manner. GAO also found that the staff office's policies and procedures for providing the public with information on the backgrounds of the Board's peer review panelists do not adequately inform the public about the points of view represented on the panels.

### **Environmental Protection: Grants Awarded for Continuing Environmental Programs and Projects**

GAO-01-860R, June 29 (23 pages).

This report reviews the Environmental Protection Agency's (EPA) administration of grants for environmental programs and projects. GAO focuses on the (1) total dollar amounts by type of grants awarded, (2) type of entities receiving these grants, (3) EPA offices awarding grants, and (4) congressional and other concerns raised by EPA grant activities. GAO found that EPA awarded about \$16.7 billion in grants for fiscal years 1996 through 2000. States were the major recipients of continuing environmental program funds, while nonprofit organizations were the major recipients of project grants. EPA's Office of Water awarded half of all continuing environmental program grants, while the Offices of Solid Waste and Emergency Response, Research and Development, and Water awarded

most project grants. Congressional committees and EPA's Inspector General conducted several inquiries into EPA's management of grants.

**Environmental Protection:  
Wider Use of Advanced Technologies Can Improve Emissions  
Monitoring**

GAO-01-313, June 22 (72 pages).

To protect human health and safeguard the environment, the Environmental Protection Agency (EPA) regulates pollution generated by sewage treatment plants, power generation plants, chemical manufacturers, and pulp and paper mills. Monitoring is a key component of these efforts. Many of the technologies that are now being used to monitor environmental conditions have been in existence for decades. In recent years, however, several technologies have become available that may offer improved measurement and performance capabilities. This report (1) identifies technologies whose wider use can improve the monitoring of pollutants entering the nation's air and water, (2) determines the extent to which these improved technologies are being used and steps that EPA can take to promote their wider use, and (3) identifies factors that influence the development of new technologies and steps that EPA can take to encourage greater development of new technologies. GAO found that several monitoring technologies exist that can better measure emissions or discharges from stationary air sources, wastewater sources, and nonpoint water sources. These technologies offer advantages over older, more commonly used methods by detecting pollutants at lower levels, reducing monitoring costs, and increasing the reliability of monitoring results. GAO also found that the primary barriers preventing wider use of these technologies differ considerably across stationary air, wastewater, and nonpoint water sources. Regulated entities may be reluctant to voluntarily use air emissions monitoring technology because of concerns that the new technology will reveal instances of noncompliance and will result in punitive action. Wastewater dischargers are not allowed to use the advanced technologies because EPA has yet to approve them for Clean Water Act compliance monitoring. Entities responsible for nonpoint water sources have been discouraged from using the technologies because of cost concerns. GAO found that equipment manufacturers tend to develop new technologies only when there are strong prospects for a return on their investment. Without regulatory requirements, manufacturers have little incentive to bring new technologies to market. In the absence of private investment, EPA and other agencies have sponsored some research in this

area, but EPA has limited resources, and research done by other agencies does not always provide results that are acceptable for regulatory purposes.

**Federal Procurement:**

**Better Guidance and Monitoring Needed to Assess Purchases of Environmentally Friendly Products**

GAO-01-430, June 22 (40 pages).

The federal government buys about \$200 million worth of goods and services each year. Through its purchasing decisions, the federal government can signal its commitment to preventing pollution, reducing solid waste, increasing recycling, and stimulating markets for environmentally friendly products. The Resource Conservation and Recovery Act of 1976 (RCRA) directs the Environmental Protection Agency (EPA) to identify products made with recycled waste materials or solid waste by-products and to develop guidance for purchasing them. The act also requires procuring agencies to establish programs for purchasing these products. This report examines efforts by federal agencies to (1) implement RCRA requirements for procuring products with recycled content and (2) purchase environmentally preferable and bio-based products. EPA accelerated its efforts in the 1990s to identify recycled-content products, but the status of agencies' efforts to implement the RCRA purchasing requirements for these products is uncertain. The four major procuring agencies report that, for many reasons, their procurement practices have not changed to increase their purchases of environmentally preferable and bio-based products. One reason for the lack of change is that EPA and the U.S. Department of Agriculture have been slow to develop and implement the programs.

**Invasive Species:**

**Obstacles Hinder Federal Rapid Response to Growing Threat**

GAO-01-724, July 24 (38 pages).

Invasive species—harmful, nonnative plants, animals, and microorganisms—are widespread throughout the United States, causing billions of dollars of damage annually to crops, rangelands, and waterways. An important part of pest control is quick action to eradicate or contain a potentially damaging invasive species. Federal rapid response to invasive species varies: species that threaten agricultural crops or livestock are far more

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likely to elicit a rapid response than those primarily affecting forestry or other natural areas, including rangelands and water areas. A major obstacle to rapid response is the lack of a national system to address invasive species. Other obstacles to rapid response include the need for additional detection systems to identify new species; improved partnerships among federal, state, and local agencies; and better technologies to eradicate invasive species. The Invasive Species Council's Management Plan makes several recommendations for improving rapid response, including developing a program of coordinated rapid response and pursuing increases in discretionary spending to support the program. A concerted effort to improve the rapid response is clearly needed. If properly implemented, the Council's recommendations will go a long way toward developing a national system to address this pressing need.

**Water Quality:**

**Better Data and Evaluation of Urban Runoff Programs Needed to Assess Effectiveness**

GAO-01-679, June 29 (58 pages).

The Environmental Protection Agency (EPA) considers the contaminants in storm water runoff as a significant threat to water quality across the nation. Prompted by Congress, EPA has responded with various initiatives, including the National Pollutant Discharge Elimination System Storm Water Program, which requires more than 1,000 local governments to undertake storm water management programs. Those municipalities in Phase I of the program have been trying to reduce pollutants in storm water runoff for several years, and it is time to begin evaluating their efforts. EPA however, has not established measurable goals for this program, nor has it attempted to evaluate the program's effectiveness in reducing storm water pollution or to determine its cost. EPA attributes its inaction to inconsistent data reporting from municipalities, insufficient staff resources, and other competing priorities within the Office of Wastewater Management. Although municipalities report monitoring and cost data to EPA or state regulatory agencies annually, these agencies have not reviewed this information to determine whether it can be useful in determining the program's overall effectiveness or cost. GAO found that the reported cost information will be difficult to analyze unless EPA and its state partners set guidelines to elicit more standardized reporting. Better data on costs and program effectiveness are needed—especially in light of the Phase II program that will involve thousands more municipalities in 2003. EPA's planned research grant to the University of Alabama and its



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pilot project to analyze data from annual reports and develop baseline indicators is a step in the right direction and could point the way for a more comprehensive approach.

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## Financial Institutions

### Federal Home Loan Bank System: Establishment of a New Capital Structure

GAO-01-873, July 20 (62 pages).

The Federal Home Loan Bank (FHLBank) System is establishing a new capital structure that, if properly implemented, is likely to be an improvement over the historic structure. Capital will become more permanent, and new risk-based and leverage capital requirements will also be implemented. The new capital structure has the potential to address the risks associated with advances as well as the direct acquisition of mortgages. However, it is too early to assess the overall adequacy of the structure. So far, direct acquisition appears to provide regional diversification of mortgage acquisitions and incentives to member institutions for sound mortgage underwriting and servicing through the sharing of credit risks. However, risks could be affected if changes are made in the level of mortgage acquisition activity and in the risk-sharing agreements between the FHLBanks and their member institutions. Such changes might also increase the importance of risk-based capital requirements compared to the leverage requirements of the Federal Housing Finance Board (FHFB). Risks in the FHLBank System will increase because of expanded collateral provisions in the Gramm-Leach-Bliley Act and direct mortgage acquisition activity. Mitigation of that risk will depend on risk management by the FHLBanks, the adequacy of capital structure, and oversight by FHFB. In addition to the FHLBanks, the acquisition activity could also generate additional risks for the enterprises. Although the FHLBank System and the enterprises primarily engage in different business activities, these differences may decrease if direct mortgage acquisition activity grows dramatically. Having one housing government sponsored enterprise (GSE) regulator for safety and soundness and mission compliance would provide greater independence and objectivity, greater prominence, improved ability to assess the competitive impact of new initiatives on all housing GSEs, and improved ability to ensure consistency of regulation of GSEs that operate in similar markets.

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**Federal Trade Commission:  
Enforcement of the Franchise Rule**

GAO-01-776, July 31 (76 pages).

Franchises are business arrangements that require payment for the opportunity to sell trademarked goods and services. Business opportunity ventures do not involve a trademark but require payment for the opportunity to distribute goods or services with assistance in the form of locations or accounts. The Federal Trade Commission's (FTC) Trade Regulation Rule on Franchising and Business Opportunity Ventures (Franchise Rule) requires franchise and business opportunity sellers to disclose financial and other information to prospective purchasers before they pay any money or sign an agreement. In addition, FTC enforces section 5 of the FTC Act, which addresses unfair or deceptive acts or practices. In recent years, Congress and others have debated the need for a federal statute to generally regulate franchises, including issues that arise between franchisors and franchisees after the franchise agreement is signed. Much of the debate centers on the relative bargaining power franchisees have when dealing with their franchisors over various issues, such as the location of new franchised outlets or the termination of franchise relationships without good cause and advance, written notice. This report reviews FTC's enforcement of its Franchise Rule and discusses various franchise relationship issues. GAO found that FTC has focused most of its Franchise Rule enforcement resources on business opportunity ventures because, according to FTC staff, problems in this area have been more pervasive than problems with franchises. The extent and nature of franchise relationship problems are unknown because of a lack of readily available reliable data—that is, the data available are not systematically gathered or gatherable. Absent such data, opinions varied as to the need for a federal statute to regulate franchise relationships. If Congress believes it needs empirical data before considering franchise relationship legislation, it could commission a study that would (1) design and implement an approach for collecting empirical data on the extent and nature of franchise relationship problems and (2) examine franchisor and franchisee experiences with existing remedies for resolving disputes.

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**SEC and CFTC:  
Most Fines Collected, but Improvements Needed in the Use of  
Treasury's Collection Service**

GAO-01-900, July 13 (37 pages).

Fines are one way for regulators to sanction those who violate securities and futures industry rules. However, for fines to be effective, regulators must collect them. This report reviews fine collection by the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and nine exchanges and industry associations that act as self-regulatory organizations (SRO) in the securities and futures industries. GAO (1) compares how the securities and futures regulators' current collection rates have changed since GAO's November 1998 report 1998 and assesses the changes they made in their fine imposition practices; (2) discusses the steps taken by SEC and CFTC to oversee the SROs' fine imposition activities, including the actions they have recently taken to improve this oversight; and (3) assesses the effectiveness of actions taken by SEC and CFTC to refer unpaid fines to the Financial Management Services (FMS). GAO found that collection rates at SEC, CFTC, and the SROs were generally comparable to, or higher than, their rates at the time of GAO's earlier report. Among the SROs, the National Association of Securities Dealers (NASD) and the National Futures Association (NFA) had the lowest collection rates between 1992 and 1996. However, fine collection rates improved at both organizations after they changed their fine imposition practices. SEC has begun to collect data that would allow it to analyze securities sanctions throughout the industry. Similarly, CFTC has begun to document the results of its review of industrywide futures sanctions. Both SEC and CFTC have reviewed the extent to which their respective SROs maintain automated fine collection records. FMS' efforts to collect SEC's fines have been hampered by SEC's delays in approving compromise offers, delays by SEC's Commissioners in responding to FMS' requests for more timely action, and by SEC's failure thus far to adopt the regulations it needs to again submit its fines to the Treasury Offset Program to benefit from the associated collection opportunities. Although CFTC has only recently begun submitting fines to FMS for collection, concerns about the timeliness of these submissions already exist. The agency's Inspector General has recommended steps to ensure that CFTC fines are submitted more timely to FMS, but these steps have yet to be implemented. Weaknesses in procedures for ensuring that CFTC submits all needed information to FMS to collect its unpaid fines also appear to have caused further delays in FMS' collection efforts.

## Financial Management

### **Consumer Finance: College Students and Credit Cards**

GAO-01-773, June 20 (73 pages).

Credit cards offer clear advantages to college students because they provide an interest free loan until the payment is due and a convenient noncash payment option for both routine transactions and emergencies. If used responsibly, credit cards allow students to build up credit histories that will increase their access to credit in the future. However, if college students have not learned sound financial management skills in high school or from their parents, the disadvantages of credit cards can outweigh the advantages. GAO found that more than one-third of students had credit cards before they entered college, and another 46 percent acquired them during the first year. Except for charges for tuition and fees, their spending patterns resembled those of nonstudents. GAO did not find a uniform response to the controversial issue of on-campus credit card marketing among the universities GAO visited. In response to complaints about aggressive marketing techniques, a few universities have restricted credit card solicitation on campus. The credit card issuers that responded to GAO's inquiries participated actively in the student market, but they did not have a uniform set of policies or practices.

### **Debt Collection: Defense Finance and Accounting Service Needs to Improve Collection Efforts**

GAO-01-686, June 29 (17 pages).

Improper payments are a long-standing problem throughout the government. The Department of Defense (DOD) has been overpaying contractors by hundreds of millions of dollars each year. For fiscal years 1994 through 1999, DOD contractors returned nearly \$1.2 billion that the Defense Finance and Accounting Service (DFAS) had mistakenly paid them as a result of errors, such as paying the same invoice twice or misreading invoice amounts. Sometimes, however, the contractors do not promptly respond to government demands that the overpayments be returned. The Debt Management Office was created at the DFAS Columbus Center to deal with contractors that are unresponsive to the government's demands that overpayments be returned. GAO found that the Debt Management Office at DFAS Columbus is not effectively and proactively pursuing collections of

debts assigned to it. Specifically, the Office is not (1) taking appropriate action to establish the validity of the debts that it receives for collection, (2) promptly issuing letters demanding payment, (3) actively communicating with contractors or resolving issues related to the debts, and (4) effectively using the Department of the Treasury's centralized debt collection programs to maximize collections and the Defense Criminal Investigative Service to pursue potential fraud. Ineffective and insufficient efforts by the Office are the results of both deficiencies in and lack of adherence to policies and procedures.

**Federal Emergency Management Agency:  
Weaknesses Exist in the Cerro Grande Fire Assistance Claim  
Validation Process**

GAO-01-848, July 13 (23 pages).

Although the federal government has taken responsibility for the Cerro Grande fire and enacted the Cerro Grande Fire Assistance Act to expeditiously compensate those injured by the fire, the Federal Emergency Management Agency (FEMA) will need to establish an effective system of internal control to safeguard the funds appropriated for the Cerro Grande program. The act lays a framework for such accountability by requiring FEMA to determine that victims' injuries and losses occurred as result of the fire and to determine the amount of allowed compensation. FEMA has established a process to review all claims submitted. However, because of insufficient documentation of the steps taken to determine the validity and reasonableness of the claim amounts, the process does not ensure that only valid claims were paid or that the amounts paid were reasonable. In addition, policies and procedures for paying claims have either not yet been developed or have not been formally and centrally documented.

**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the American  
Gold Star Mothers, Incorporated, for Fiscal Years 2000 and 1999**

GAO-01-890R, June 25 (2 pages).

GAO reviewed the audit report covering the financial statements of the American Gold Star Mothers, Incorporated, for the fiscal years 2000 and 1999 to determine if the audit report complied with the financial reporting requirements of the law. GAO found no reportable instances of noncompliance, and the audit report included the auditors' opinions that

the financial statements of the corporation were presented fairly on a modified cash basis of accounting.

**Federally Chartered Corporation:**

**Review of the Financial Statement Audit Report for the American War Mothers for Fiscal Year 2000**

GAO-01-891R, June 25 (2 pages).

GAO reviewed the audit report covering the financial statements of the American War Mothers, for fiscal year 2000, to determine whether the report complied with the financial reporting requirements of the law. GAO found no reportable instances of noncompliance with applicable law, and the audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

**Federally Chartered Corporation:**

**Review of the Financial Statement Audit Report for the Aviation Hall of Fame for 1999 and 1998**

GAO-01-892R, June 26 (2 pages).

GAO reviewed the audit report covering the financial statements of the Aviation Hall of Fame for 1999 and 1998. GAO found no reportable instances of noncompliance with applicable law, and the audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

**Federally Chartered Corporation:**

**Review of the Financial Statement Audit Report for the Blinded Veterans Association for Fiscal Years 2000 and 1999**

GAO-01-893R, June 25 (2 pages).

GAO reviewed the financial statement audit reports for the Blinded Veterans Association for fiscal years 2000 and 1999. GAO found no reportable instances of noncompliance, and the audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

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**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the Fleet  
Reserve Association for Fiscal Years 2000 and 1999**

GAO-01-894R, June 25 (2 pages).

GAO reviewed the financial statement audit reports for the Fleet Reserve Association for fiscal year 2000 and 1999. GAO found no reportable instances of noncompliance, and the audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the General  
Federation of Women's Clubs for Fiscal Years 2000 and 1999**

GAO-01-895R, June 25 (2 pages).

This report reviews the audit report covering the financial statements of the General Federation of Women's Clubs for fiscal years 2000 and 1999 to determine whether the audit report complied with the financial reporting requirements of the law. The audit report included the auditors' opinion that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles, and GAO found no reportable instances of noncompliance with the requirements of the law.

**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the Legion of  
Valor of the United States of America, Incorporated, for Fiscal Year  
2000**

GAO-01-904R, June 26 (2 pages).

GAO reviewed the audit report covering the financial statements of the Legion of Valor of the United States of America, Incorporated, for fiscal year 2000. GAO notes that the statement for the Legion of Valor Museum was not audited. The Legion of Valor Museum represents a significant portion of the financial activity for the Legion of Valor—more than half of the reported revenues and expenses. GAO's review disclosed no other reported instances of noncompliance.

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**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the Marine  
Corps League for Fiscal Years 2000 and 1999**

GAO-01-896R, June 26 (2 pages).

GAO reviewed the audit report covering the financial statements of the Marine Corps League for fiscal years 2000 and 1999. GAO found no reportable instances of noncompliance. The audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the Military  
Chaplains Association of the United States of America for 1999 and  
1998**

GAO-01-897R, June 26 (2 pages).

GAO reviewed the audit report covering the financial statements of the Military Chaplains Association of the United States of America for 1999 and 1998. GAO found no reportable instances of noncompliance. The audit report included the auditors' opinions that the financial statements of the corporation were presented fairly in accordance with generally accepted accounting principles.

**Federally Chartered Corporation:  
Review of the Financial Statement Audit Report for the National  
Conference of State Societies, Washington, District of Columbia,  
for Fiscal Years 1999 and 1998**

GAO-01-898R, June 26 (2 pages).

GAO reviewed the audit report covering the financial statements of the National Conference of State Societies, Washington, District of Columbia, for fiscal years 1999 and 1998. GAO found no reportable instances of noncompliance, and the report included the auditor's opinions that the financial statements of the corporation were presented fairly on a cash basis of accounting.



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**Financial Audit:**

**Accounting and Internal Control Issues Identified During GAO's 2000 FDIC Financial Statement Audits**

GAO-01-905R, June 28 (4 pages).

GAO issued its opinions on the 2000 financial statements of the Bank Insurance Fund, Savings Association Insurance Fund, and FSLIC Resolution Fund in May 2001. GAO also issued its opinion on the effectiveness of the Federal Deposit Insurance Corporation's (FDIC) internal control as of December 31, 2000, and its evaluation of FDIC's compliance with selected provisions of laws and regulations for the three funds for 2000. This report reviews the internal control weaknesses identified during GAO's audits of the 2000 financial statements, and recommends ways to address those weaknesses. GAO found several internal control weaknesses that affect FDIC's financial reporting, including the execution of transactions. The weaknesses concern its asset valuation process and its allocation and recovery expenses. Specifically, GAO found that (1) errors in valuing receivership assets caused both overstatements and understatements in determining the allowance for loss related to receivables; (2) a calculation error in valuing equity partnership assets caused an overstatement in the allowance for loss related to other assets; and (3) incorrect operating expense amounts were allocated and recovered, which led to the incorrect distribution of operating expense charges among FDIC's funds. FDIC has instituted new control procedures to address these weaknesses.

**Financial Management:**

**Improvements in Air Force Fund Balance With Treasury Reconciliation Process**

GAO-01-847, July 18 (26 pages).

The Department of Defense (DOD) has had longstanding problems in reconciling the transaction activity in its Fund Balance with Treasury accounts. These reconciliation problems hamper DOD's ability to prepare auditable financial statements and have prompted GAO to place DOD financial management on its list of government activities at high risk for waste, fraud, abuse, and mismanagement. In August 1998, DOD developed a strategic plan to improve the reconciliation process for the activity in its Fund Balance with Treasury accounts. DOD reported that the Defense Finance and Accounting Service's (DFAS) Denver Center, which provides

support for the Air Force, has made the most progress in implementing this plan and that its process for reconciling the activity in the Air Force General Funds is more comprehensive than that of the other DOD components. This report reviews the Denver center's reconciliation processes to determine (1) the progress the Denver center has made in reconciling the transaction activity in the Air Force General Funds and (2) whether the Denver center's reconciliation concepts, policies, and practices could be used in reconciling the Fund Balance with Treasury activity of other DOD components. GAO found that the Denver center has made progress in developing a comprehensive reconciliation process for the Air Force General Funds' transaction activity in the Fund Balance with Treasury accounts, primarily by increasing management attention. GAO also found that the concepts and policies developed by the Denver center to identify and resolve transaction differences could improve the reconciliation processes of the other DFAS centers that have not made as much progress.

## Testimony

**Financial Management: Poor Internal Control Exposes Department of Education to Improper Payments**, by Linda M. Calbom, Director, Financial Management and Assurance, before the House Subcommittee on Select Education, Committee on Education and the Workforce.

GAO-01-997T, July 24 (11 pages).

GAO and the Department of Education's Office of Inspector General have issued many reports in recent years on the Department's financial management problems, including internal control weaknesses that put the Department at risk for waste, fraud, abuse, and mismanagement. In an April 2001 assessment of the internal control over Education's payment processes and the associated risks for improper payments, GAO identified four broad categories of internal control weaknesses: poor segregation of duties, lack of supervisory review, inadequate audit trails, and inadequate computer systems' applications controls. This testimony discusses how these weaknesses make Education vulnerable to improper payments in grant and loan payments, third party drafts, and government purchase card purchases. GAO found that Education's student aid application processing system for grants and loans lacks an automated edit check that would identify potentially improper payments from students who were much older than expected, a single social security number associated with two or more dates of birth, grants to recipients in excess of statutory limits, and searches for invalid social security numbers. GAO also found problems

with Education's third party draft system. Specifically, Education (1) circumvented a system's application control designed to avoid duplicate payments by adding a suffix to the invoice/voucher number when the system indicates that an invoice/voucher number has already been used; (2) allowed 21 of the 49 Education employees who could issue third party drafts to do so without involving anyone else; and (3) lacked adequate audit trails, such as a trigger log, to identify changes made to the list of approved vendors. GAO also found shortcomings with Education's internal controls over government purchase cards.

**Flood Insurance: Information on the Financial Condition of the National Flood Insurance Program**, by Stanley J. Czerwinski, Director, Physical Infrastructure, before the House Subcommittee on Housing and Community Opportunity, Committee on Financial Services.

GAO-01-992T, July 19 (12 pages).

Floods have been, and continue to be, the most destructive natural hazard in terms of economic loss to the nation, according to the Federal Emergency Management Agency. From fiscal years 1969 through 2000, the National Flood Insurance Program—a major federal effort to provide flood disaster assistance—paid about \$10 billion in insurance claims, primarily from premiums collected from program policy holders. This testimony discusses (1) the financial results of the program's operations since fiscal year 1993, (2) the actuarial soundness of the program, and (3) the impact of repetitive losses and FEMA's strategies for reducing those losses.

## Government Operations

### **Contract Management: Benefits of the DOD Mentor-Protege Program Are Not Conclusive**

GAO-01-767, July 19 (15 pages).

Congress authorized the Pilot Mentor Protege Program to boost the participation of small disadvantaged businesses as subcontractors and suppliers under Department of Defense (DOD) contracts. The program provides incentives for major defense contractors (mentors) to assist small disadvantaged businesses (proteges) in strengthening their ability to compete for work. However, DOD has been criticized for not establishing compelling evidence about the program's overall effectiveness. This report reviews (1) the relationship between the results of the Mentor-Protege Program and the statutory goal of awarding five percent of the total dollar

amount contracted by DOD and subcontracted by DOD prime contractors to small disadvantaged businesses; (2) whether the Mentor-Protege Program enhanced the business competitiveness, financial independence, and business development of protege firms; and (3) whether program funds had been used as an effective incentive for mentor firms to participate in the program. GAO found that DOD lacks data integral to assessing the success of the Mentor-Protege Program. DOD lacks enough information to determine the relationship between the program and the goal of awarding five percent of the total dollar amount contracted to small disadvantaged businesses. Although DOD has consistently achieved this goal since 1992, the program's overall contribution to this goal is unknown. DOD also lacks enough information to assess whether the program enhanced the business competitiveness, financial independence, and business development of protege firms. Although some small disadvantaged business program participants that have become more successful, data is not available to attribute their success to the program. Program funds have been used to encourage major defense contractors to provide developmental assistance for small disadvantaged businesses. However, data is not available to determine whether program funds are needed to continue to encourage major defense contractors to establish business relationships with small disadvantaged businesses.

**Department of Commerce:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-793, June 15 (31 pages).

This report reviews the Department of Commerce's fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act to assess Commerce's progress on achieving selected key outcomes. Commerce's combined performance report and performance plan is a significant improvement over its fiscal year 1999 performance report and fiscal year 2001 performance plan and addresses the recommendations made in GAO's June 2000 report. Furthermore, the report indicates that Commerce has made progress toward achieving two of the selected key outcomes. However, progress toward achieving the remaining two outcomes is unclear largely because of weaknesses related to measuring performance. Specifically, some of the measures are output-oriented, rather than outcome oriented; some measures have known limitations, which Commerce acknowledges; many of the measures used to assess performance in the past are being

discontinued for the future; and Commerce plans to rely on one, narrowly focused measure to demonstrate progress for each performance goal related to these key outcomes. Furthermore, other data exist within the International Trade Administration (ITA) that could support additional measures related to these performance goals.

**Department of Defense:  
Status of Achieving Outcomes and Addressing Major Management Challenges**

GAO-01-783, June 25 (34 pages).

This report reviews the Department of Defense's (DOD) fiscal year 2000 performance report required by the Government Performance and Results Act of 1993 and assesses the Department's progress in achieving selected outcomes that were identified as important mission areas for DOD. GAO found that shortfalls in DOD's current strategies and measures for several outcomes have led to difficulties in assessing performance in areas such as combat readiness, support infrastructure reduction, force structure needs, and the matching of resources to program spending plans. DOD's fiscal year 2002 performance plan, which has yet to be issued, provides DOD with the opportunity to address these shortfalls. On the basis of last year's analysis of DOD's fiscal year 1999 performance report and fiscal year 2001 performance plan, GAO recommended that the Department include more qualitative and quantitative goals and measures in its annual performance plan and report to gauge progress toward achieving mission outcomes. DOD has not as yet fully implemented this recommendation. GAO continues to believe that the Secretary of Defense should adopt this recommendation as it updates its strategic plan and prepares its next annual performance plan. By doing so, DOD can ensure that it has strategies that are tied to desired mission outcomes and are well thought-out for resolving ongoing problems, achieving its goals and objectives, and becoming more cost and results oriented.

**Department of Education:  
Status of Achieving Key Outcomes and Addressing Major Management Challenges**

GAO-01-827, June 29 (22 pages).

This report reviews the Department of Education's performance report for fiscal year 2000. Specifically, GAO examines Education's progress in

achieving selected key outcomes that are important to its mission. Given the lack of performance data, explanations, and strategies to meet unmet goals in the future, it was difficult for GAO to assess progress. The lack of a performance plan also hindered GAO's efforts. Specifically, GAO found it difficult to assess Education's progress in achieving the six selected outcomes because of the lack of fiscal year 2000 data for many of its indicators. Consistent with its findings in reviewing Education's performance report from last year, GAO found that Education had no goals or measures for preventing fraud, waste, mismanagement, and error in the student financial assistance programs. Although the Office of Student Financial Assistance has established a target of being removed from GAO's high-risk list, there were no corresponding goals or measures in the department's interim report. However, Education has revised its strategic plan to incorporate an objective of ensuring financial integrity within the department. Like last year's report, GAO found that there was no discussion in the interim report on strategic human capital management.

**Department of Justice:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-729, July 26 (46 pages).

This report reviews the Department of Justice's fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 and assesses Justice's progress in achieving selected key outcomes that were identified as important mission areas. Justice's overall progress toward achieving the key outcomes was difficult to ascertain because generally the performance report lacked fiscal year 2000 performance targets to measure success and lacked clear linkage between performance measures and outcomes. Justice did not set fiscal year 2000 performance targets for some measures because the measures were new, and for some measures Justice believes that setting performance targets could cause the public to perceive law enforcement as engaging in "bounty hunting" or pursuing arbitrary targets merely for the sake of meeting particular goals. Justice's strategies varied in the extent to which they included enough information to inform decisionmakers about initiatives to achieve these outcomes. GAO notes opportunities for Justice to improve the usefulness of its reports and plans.

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**Department of Labor:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-779, June 15 (36 pages).

This report reviews the Department of Labor's fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act. GAO found that Labor appears to be making progress in achieving the key outcomes in its strategic plan. Labor has increased its target levels for some goals for fiscal year 2002 and generally provided sound strategies for achieving these new targets. GAO continues to have concerns about some of the measures Labor uses. GAO is most concerned about the way in which Labor addresses two of its management challenges—information technology and strategic human capital management. Given the breadth of these goals, goal achievement cannot be fully assessed with the performance indicators Labor proposes. Without better indicators that more accurately and comprehensively measure performance toward the goal, Labor will be unable to fully assess its progress in these areas.

**Department of Transportation:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-834, June 22 (30 pages).

The Government Performance and Results Act of 1993 requires agencies to produce annual performance reports. GAO reviewed the Department of Transportation's (DOT) performance reports for fiscal years 2000 and 2002 to assess its progress in achieving key outcomes in important mission areas. This report (1) assesses DOT's progress in accomplishing these outcomes and the strategies the agency has in place to achieve them and (2) compares DOT's fiscal year 2000 performance report and fiscal year 2002 performance plan with the agency's prior year performance report and plan for these outcomes. DOT's consolidated performance report makes it clear that DOT achieved only limited progress in fiscal year 2000 toward achieving the selected outcomes and that the agency directly indicated that its current strategies are not likely to result in achievement of the goals. DOT provided a clear, well-organized discussion of performance goals, measures, and data in both its fiscal year 2000 and 2002 performance plans.

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**Department of the Interior:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-759, June 15 (30 pages).

This report reviews the Department of the Interior's fiscal year 2000 performance report and fiscal year 2002 performance report plan required by the Government Performance and Results Act. Specifically, GAO discusses Interior's progress in achieving the following four outcomes: (1) maintaining the health of federally managed land, water, and renewable resources; (2) ensuring visitors' satisfaction with the availability, accessibility, diversity, and quality of national parks; (3) meeting the federal government's responsibility to preserve and protect Indian trust lands and resources; and (4) ensuring the safe and environmentally sound development of mineral resources. GAO could not judge the agency's progress in promoting the health of federally managed land, water, and renewable resources because the goals Interior has reported do not foster a broad or departmentwide approach to measuring progress. Although the Park Service's strategies for continuing to meet and exceed its visitor satisfaction and visitor education goals appear clear and reasonable, the agency's fiscal year 2002 performance plan lacks information on the strategic human capital management strategies to achieve this outcome. GAO cannot judge the Bureau of Indian Affairs' progress in protecting Indian trust lands and resources because the annual goals it has established are output-related and do not assess progress toward the outcome. The Minerals Management Service has had mixed results in meeting its mineral development goals. Its goals for meeting its fiscal year 2002 goals seem reasonable.

**Department of the Treasury:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-712, June 15 (45 pages).

This report reviews the Department of the Treasury's fiscal year 2000 performance report and fiscal year 2002 performance report plan required by the Government Performance and Results Act. Specifically, GAO discusses Treasury's progress in addressing several key outcomes that are important to Treasury's mission. In general, GAO could not adequately determine Treasury's progress on five key outcomes because the fiscal year



2000 performance report lacked at least some measures needed to directly assess each of the outcomes. However, other information that GAO reviewed and GAO's past work suggest that Treasury may be at risk of not achieving these outcomes. In assessing Treasury's strategies, GAO identified shortcomings in its plans for each of the outcomes it reviewed. Chief among the limitations common to both the Treasury's fiscal year 1999 and 2000 performance reports was that the performance goals and measures of Treasury's agencies were not always directly reflected in the broader departmental goals, limiting the reports' usefulness in determining whether these agencies are making progress in meeting their strategic goals in general and the outcomes GAO reviewed in particular. Treasury improved the fiscal year 2000 report by elevating its objective of Improve Customer Satisfaction to a strategic goal and adding a strategic goal of Improve Employee Satisfaction. Treasury's performance report discussed the progress made in resolving many of its major management challenges, but it did not specifically discuss the agency's progress in resolving challenges related to strategic human capital management.

**Environmental Protection Agency:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-774, June 15 (24 pages).

This report reviews the Environmental Protection Agency's (EPA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess the agency's progress in achieving selected key outcomes that are important to EPA's mission. EPA reported reasonable progress in achieving its key outcomes. Specifically, EPA reported (1) attaining air quality standards in more areas of the country and reducing emissions of toxic pollutants, (2) making strides in achieving its goal of safe and clean drinking water, (3) making progress in cleaning up hazardous waste sites, and (4) making progress in ensuring that food is free from unsafe pesticide residues. Although EPA made several improvements to its fiscal year 2000 performance report, it still falls short in providing information on crosscutting goals and measures. EPA's 2002 performance plan's goals and performance measures address some, but not all, major management challenges.

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**Health and Human Services:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-748, June 15 (44 pages).

This report reviews the Department of Health and Human Service's (HHS) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 to assess HHS' progress in achieving selected key outcomes that are important to its mission. It is difficult to fully assess the HHS' progress in fiscal year 2000 toward achieving the outcomes GAO reviewed because lags in reporting performance data are common for many of its components, such as the Administration for Children and Families (ACF), Centers for Disease Control and Prevention (CDC), the Substance Abuse and Mental Health Services Administration, and the Food and Drug Administration. In some cases, the delays are associated with the need to obtain performance data from states and local organizations. Some HHS components are working to improve the timeliness of data submitted by others and, in some instances, have reported trend data to show that progress is being made. For example, both ACF and CDC supplied fiscal year 1999 performance data in their current performance reports—data that were not available until this year. It is likely that ACF's and CDC's fiscal year 2001 performance reports will include fiscal year 2000 performance data that were not available this year. Although it may not always be realistic to expect that complete data will be available when annual performance reports and plans are issued, trends will become apparent as the number of performance reports grows with each passing year.

**National Personnel Records Center:  
Plan Needed to Show How Timeliness Goal Will Be Achieved**

GAO-01-599, May 31 (15 pages).

The National Personnel Records Center (NPRC) maintains the official military personnel records of discharged servicemembers. Veterans need their records for various reasons, from obtaining GI bill education benefits and home loan guarantees to arranging burial in national cemeteries. However, veterans have experienced delays in obtaining documentation of their military service from NPRC. This report evaluates NPRC's timeliness in responding to veterans' requests for records. GAO reviews (1) how long it takes NPRC to answer veterans' requests for records and (2) whether the

actions NPRC is taking will improve response time. GAO found that in fiscal year 2000, NPRC took an average of 54 days to respond to written requests for records, answering about six percent of written requests within 10 working days. NPRC efforts to respond more quickly are unlikely to significantly improve timeliness soon, and the prospects for meeting its goal of answering 95 percent of requests within 10 working days by 2005 are unclear.

**National Science Foundation:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-758, June 15 (15 pages).

This report reviews the National Science Foundation's (NSF) fiscal year 2000 performance report and fiscal year 2002 performance report plan required by the Government Performance and Results Act. Specifically, GAO discusses NSF's progress in addressing several key outcomes that are important to NSF's mission. NSF reported that it made substantial progress in achieving its key outcomes. Although the planned strategies for achieving these key outcomes generally are clear and reasonable, some are vague and do not identify the specific steps for achieving the goals. NSF's fiscal year 2000 performance report and fiscal year 2002 performance plan reflect continued improvement compared with the prior year's report and plan. Although the 2002 performance plan does not substantially address NSF's human capital management, NSF is developing a five-year workforce strategic plan to address strategic human capital management issues that must be submitted to the Office of Management and Budget by July 20, 2001. NSF's performance report did not explain its progress in resolving information security challenges, but NSF indicated that it has internal management controls that continually monitor data security.

**Nuclear Regulatory Commission:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-760, June 29 (40 pages).

This report reviews the Nuclear Regulatory Commission's (NRC) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 to assess its progress in achieving selected key outcomes that are important mission areas for the

agency. NRC reports mixed progress in achieving the three outcomes GAO reviewed. To measure performance for the three outcomes, NRC established the same four goals: one relates to safety and three relate to such nonsafety issues as public confidence, regulatory burden, and organizational enhancements. Although NRC's strategies for the safety-related performance goal outcomes seem clear and reasonable, GAO could not assess NRC's performance for the three nonsafety performance goals because NRC only recently developed and reported strategies for them in its fiscal year 2002 performance plan. Because NRC has had little experience in applying the strategies and measures for the three nonsafety goals, it may need to revise them after it completes various planned evaluations during the next three years.

**Social Security Administration:**

**Status of Achieving Key Outcomes and Addressing Major Management Challenges**

GAO-01-778, June 15 (35 pages).

GAO reviewed the Social Security Administration's (SSA) fiscal year 2000 performance report and fiscal year 2002 performance plan report to assess SSA's progress in achieving five key outcomes important to the agency's mission. The five key outcomes are (1) providing timely, accurate, and useful information and services to the public; (2) making disability determinations more timely and accurate; (3) reducing long-term disability benefits by returning people to the workplace; (4) providing timely information to decisionmakers on program policy issues, such as the long-term solvency of the trust fund; and (5) reducing fraud, waste, and error in the Supplemental Security Income program. Although it lowered and met its goal for the volume of 800-number calls processed, SSA did not report on its progress toward improving the accuracy of 800-number service because data were not yet available. SSA's strategy for meeting its fiscal year 2002 goals included training customer staff to be more accurate. However, in its fiscal year 2002 plan, SSA merged two accuracy indicators without sufficient justification, which may affect SSA's ability to monitor and manage performance. Even though SSA lowered the targets for about half of its goals, it still did not meet several of them, including goals for the volume and timeliness of disability hearings. SSA's measures were primarily output-oriented and did not directly convey SSA's progress. SSA's fiscal year 2002 strategies are more results-oriented and include goals and measures more clearly linked to its objectives. SSA has not developed performance goals for several indicators, including reductions in the

number of disabled Supplemental Security Income beneficiaries receiving cash benefits. The plan should help SSA better track customer satisfaction with its research products. SSA's fiscal year 2002 strategies could be improved by including additional indicators of its antifraud efforts, such as tracing the number of civil and monetary penalties levied.

**The Federal Workforce:**

**Answers to Questions Related to the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2001**

GAO-01-844R, June 26 (4 pages).

This report responds to congressional questions about GAO's hearing on the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2001. This report discusses the (1) importance of disciplining managers and employees who engage in discriminatory practices, (2) settlement process, and (3) U.S. Postal Service's antidiscrimination programs.

**The Peace Corps Failed to Properly Supervise Missing Volunteer and Lost Track of Him**

GAO-01-970R, July 20 (5 pages).

Walter J. Poirier, a Peace Corps volunteer, was reportedly last seen in La Paz, Bolivia in February 2001. This report reviews (1) whether the Peace Corps failed to properly supervise Mr. Poirier's activities and (2) the actions taken by the Peace Corps and the U.S. Embassy in Bolivia when they learned that Mr. Poirier was missing. GAO found that Mr. Poirier failed to follow Peace Corps location and notification procedures. Although the Peace Corps Associate Director responsible for Mr. Poirier while he was in Bolivia knew that Mr. Poirier was not following these procedures, he took no steps to correct the situation and, as a result, lost track of Mr. Poirier. Furthermore, the Associate Director's failure to adequately monitor Mr. Poirier contributed to the U.S. Embassy's difficulties in locating him. Once it was determined that Mr. Poirier was missing, the U.S. Embassy, the Peace Corps, the Bolivian National Police, and fire and rescue teams in La Paz and throughout Bolivia conducted an extensive search. So far, Mr. Poirier has not been found.

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**U.S. Infrastructure:**

**Agencies' Approaches to Developing Investment Estimates Vary**

GAO-01-835, July 20 (62 pages).

A sound public infrastructure plays a vital role in encouraging a more productive and competitive national economy and meeting public demands for safety, health, and improved quality of life. The federal government has spent an average of \$149 billion (in constant 1998 dollars) annually since the late 1980s on the nation's infrastructure. Little is known, however, about the comparability and reasonableness of individual agencies' estimates for infrastructure needs. This report discusses infrastructure investment or "needs" estimates compiled by seven agencies—the U.S. Army Corps of Engineers, the Environmental Protection Agency (EPA), the Federal Aviation Administration (FAA), the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the General Services Administration (GSA), and the Appalachian Regional Commission (ARC). GAO focuses on the following infrastructure areas: water resources (inland and deep draft navigation, flood control, and shore protection), hydropower, water supply, wastewater treatment, airports, highways, mass transit, and public buildings. GAO found that the agencies' estimates for infrastructure investment ranged from GSA's calculation of \$4.58 billion (in current dollars) over one to five years to repair public buildings to FHWA's estimate of \$83.4 billion (in constant 1997 dollars) per year over 20 years to improve highways. The estimates prepared by the Army Corps (for water resources and hydropower) and GSA are for federal spending; the other estimates are for spending from federal, state, and local sources. Each of the seven agencies developed their investment estimate using data from localities, states, or agency regional offices. The estimates, however, were developed using different analytical procedures. The investment estimates cannot be easily compared or simply "added up" to produce a national estimate of infrastructure investment needs because of differences in the methods used, time periods covered, and spending sources. Each of the seven agencies has procedures for developing infrastructure investment estimates that reflect eight practices used by leading government and private sector organizations. No agency has procedures for all eight leading practices.

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**Veterans Affairs:  
Status of Achieving Key Outcomes and Addressing Major  
Management Challenges**

GAO-01-752, June 15 (25 pages).

This report reviews the Department of Veterans Affairs (VA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 to assess VA's process in achieving selected key outcomes that are important to its mission. VA reported making mixed progress towards achieving its key outcomes. For example, VA reported that it made good progress in providing high-quality care to patients, but it did not achieve its goal of processing veterans' benefits claims in a timely manner. GAO found out that VA made several improvements to its fiscal year 2000 performance report and 2002 performance plan. These improvements resulted in clearer discussions of VA's management challenges and additional performance measures for assessing program achievement. Furthermore, VA addressed all six of the major management challenges previously identified by GAO, and generally described goals or actions that VA is taking or plans to take in response to them. VA has established strategies for achieving strategic goals and objectives for two of these challenges: human capital management and information security. VA has established a performance goal and identified milestones for implementing certain strategies to address information security. However, VA has not identified performance goals and measures for human capital management linked to achieving programmatic results.

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**Testimony**

Critical Infrastructure Protection: Significant Challenges in Developing Analysis, Warning, and Response Capabilities, by Robert F. Dacey, Director for Information Security Issues, Information Technology, before the Senate Subcommittee on Terrorism, Technology, and Government Information, Committee on the Judiciary.

GAO-01-1005T, July 25 (10 pages).

The National Infrastructure Protection Center (NIPC) is an important element of the U.S. strategy to protect the nation's infrastructures from hostile attacks, especially computer-based attacks. This testimony discusses the key findings of a GAO report on NIPC's progress in developing national capabilities for analyzing cyber threats and

vulnerability data and issuing warnings, enhancing its capabilities for responding to cyber attacks, and establishing information-sharing relationships with governments and private-sector entities. GAO found that progress in developing the analysis, warning, and information-sharing capabilities has been mixed. NIPC has begun various critical infrastructure protection efforts that have laid the foundation for future governmentwide efforts. NIPC has also provided valuable support and coordination related to investigating and otherwise responding to attacks on computers. However, the analytical and information-sharing capabilities that are needed to protect the nation's critical infrastructures have not yet been achieved, and NIPC has developed only limited warning capabilities. An underlying contributor to the slow progress is that NIPC's roles and responsibilities have not been fully defined and are not consistently interpreted by other entities involved in the government's broader critical infrastructure protection strategy. This report summarized an April report (GAO-01-323).

U.S. Infrastructure: Funding Trends and Federal Agencies' Investment Estimates, by Peter F. Guerrero, Director, Physical Infrastructure, before the Senate Subcommittee on Transportation and Infrastructure, Committee on Environment and Public Works.

GAO-01-986T, July 23 (17 pages).

This testimony discusses the (1) federal government's role in ensuring a sound public infrastructure and (2) estimates of future investment requirements developed by seven federal agencies: the Appalachian Regional Commission, the Environmental Protection Agency, the Federal Aviation Administration, the Federal Highway Administration, the General Services Administration, and the U.S. Army Corps of Engineers. GAO found that the federal government exerts an important influence on infrastructure investment and development. The seven agencies GAO reviewed each estimate billions of dollars for future investment in infrastructure. The estimates focused on investment in the areas of water resources, hydropower, water supply, wastewater treatment, airports, highways, mass transit, and public buildings. Although these estimates encompass major areas of public infrastructure, they cannot be easily compared or simply "added up" to produce a national estimate of infrastructure investment needs. GAO did not independently verify the seven agencies' investment estimates, but it did rely on past reviews of these data by GAO and others that examined the soundness and completeness of the methodology and



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data used to develop the estimates. This testimony summarized a July 2001 report (GAO-01-835) and a February 2000 report (RCED/AIMD-00-35).

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## Health

### **Emergency Care: EMTALA Implementation and Enforcement Issues**

GAO-01-747, June 22 (35 pages).

In 1986, Congress passed the Emergency Medical Treatment and Active Labor Act (EMTALA) in response to reports that some emergency rooms across the country had refused to treat indigent and uninsured patients or had inappropriately transferred them to other hospitals, a practice known as "patient dumping." EMTALA requires hospitals that participate in Medicare to provide a medical screening examination to any person who comes to the emergency department, regardless of the individual's ability to pay. If a hospital determines that the person has an emergency medical condition, it must provide treatment to stabilize the condition or provide for an appropriate transfer to another facility. The regional offices of the Centers for Medicare and Medicaid Services (CMS) are responsible for investigating alleged violations and forwarding confirmed violations to the Department of Health and Human Services' (HHS) Office of Inspector General (OIG) for possible imposition of civil monetary fines. The medical community has raised concerns that the implementation and enforcement of EMTALA have created burdens for hospitals and physicians, such as overcrowded emergency departments. This report reviews (1) how EMTALA has affected hospital emergency departments and delivery of emergency care and (2) how CMS and OIG have enforced EMTALA. Hospital and physician representatives told GAO that EMTALA has helped to ensure access to emergency services and has reduced the incidence of patient dumping. However, the overall impact of EMTALA is difficult to measure because there are no data on the incidence of patient dumping before the law's enactment. At the same time, many hospital officials and physicians said that EMTALA has adversely affected the efficiency and type of services provided in hospital emergency rooms and has resulted in additional costs to hospitals and physicians. Some hospitals and physicians expressed uncertainty about the extent of their responsibilities under EMTALA. Regarding enforcement, CMS has the authority to terminate the Medicare provider agreement of a hospital that has violated EMTALA and also forwards confirmed violations to the OIG for possible imposition of civil monetary fines. Since the law's enactment, the number of EMTALA

violations and fines have been relatively small, and the hospitals' Medicare provider agreements have rarely been terminated.

**Medicaid:**

**State Efforts to Control Improper Payments Vary**

GAO-01-662, June 7 (69 pages).

State Medicaid programs make a wide variety of payments to individuals, institutions, and managed health care plans for services provided to beneficiaries whose eligibility status may fluctuate because of changes in income. Because of the size and the nature of the program, Medicaid is potentially at risk for billions of dollars in improper payments. The exact amount is unknown because few states measure the overall accuracy of their payments. Some improper Medicaid payments by states are the result of fraud by billers or program participants, but such improper payments are hard to measure because of the covert nature of fraud. Efforts by state Medicaid programs to address improper payments are modestly and unevenly funded. Half of the states spend no more than 1/10th of one percent of program expenditures to safeguard program payments. States also differ in how they help prevent improper payments as well as the degree to which they coordinate their investigations and prosecutions of fraud. Federal guidance to the states relies largely on technical assistance. The Health Care Financing Administration has recently taken a more active role to facilitate states' efforts and provide a national forum to share information.

**Nursing Workforce:**

**Emerging Nurse Shortages Due to Multiple Factors**

GAO-01-944, July 10 (15 pages).

The nation's hospitals and nursing homes rely heavily on the services of nurses. Concerns have been raised about whether the current and projected supply of nurses will meet the nation's needs. This report reviews (1) whether evidence of a nursing shortage exists, (2) the reasons for current nurse recruitment and retention problems, and (3) what is known about the projected future supply of and demand for nurses. GAO found that national data are not adequate to describe the nature and extent of nurse workforce shortages, nor are data sufficiently sensitive or current to compare nurse workforce availability across states, specialties, or provider types. Multiple factors affect recruitment and retention problems, including

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job dissatisfaction and the aging of the nurse workforce because fewer younger people are entering the profession. A serious shortage of nurses is expected in the future as demographic pressures influence both demand and supply.

### **Regulatory Issues for Medicare Providers**

GAO-01-802R, June 11 (21 pages).

Medicare is highly vulnerable to fraud, waste, and abuse. The enforcement of program payment rules, however, has raised concerns that these safeguards may have imposed too great a burden on health care providers. The proposed Medicare Education and Regulatory Fairness Act would seek to address some of these concerns by providing expedited procedures for provider appeals, new options for providers to use in repaying Medicare overpayments, protections for providers who voluntarily return overpayments or ask for a review of their claims, and new requirements for provider education. This report reviews how this proposed legislation would affect Medicare policies and procedures in (1) provider education and participation; (2) medical reviews, audits, and appeals; (3) recovery of overpayments; and (4) related legal issues.

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### **Testimony**

Health Care Consultants' Billing Advice May Lead to Improperly Paid Insurance Claims, by Robert H. Hast, Managing Director, Office of Special Investigations, before the Senate Committee on Finance.

GAO-01-899T, June 27 (2 pages).

This testimony discusses the results of GAO's investigation of health care billing consultants whose seminars and workshops advise health care providers on how to boost revenue and avoid audits. Consultants at two workshops that GAO attended provided in-depth discussions of regulations on billing for health care services and compliance with health care laws and regulations. Some of this advice was inconsistent with federal law and guidance provided by the Department of Health and Human Services' Office of Inspector General. Such advice could result in violations of both civil and criminal statutes. Some consultants urged health care providers to not report or refund overpayments from insurance carriers after they were discovered. The consultants also encouraged the performance of unnecessary tests and procedures to generate documentation that would support bills for evaluation and management services at a higher level of

complexity than actually confronted during patients' office visits. This testimony summarizes a June report (GAO-01-818).

Medicare Contracting Reform: Opportunities and Challenges in Contracting for Claims Administration Services, by Leslie G. Aronovitz, Director for Program Administration and Integrity Issues, Health Care, before the House Subcommittee on Health, Committee on Energy and Commerce, and the House Subcommittee on Oversight and Investigations, Committee on Energy and Commerce.

GAO-01-918T, June 28 (14 pages).

Discussions about how to reform and modernize the Medicare Program have, in part, focused on whether the structure that was adopted in 1965 is optimal today. Questions have been raised about whether the program could benefit from changes to the way that Medicare's claims processing contractors are chosen and the jobs they do. Medicare could benefit from full and open competition and its relative flexibility to promote better performance and accountability. If the current limits on Medicare contracting authority are removed, the Centers for Medicare and Medicaid Services could (1) select contractors on a competitive basis from a broader array of entities capable of performing needed program activities, (2) issue contracts for discrete program functions to improve contractor performance through specialization, (3) pay contractors based on how well they perform rather than simply reimbursing them for their costs, and (4) terminate poor performers more efficiently.

Medicare: Successful Reform Requires Meeting Key Management Challenges, by William J. Scanlon, Managing Director, Health Care, before the House Committee on Budget.

GAO-01-1006T, July 25 (16 pages).

Management of Medicare has come under increasing scrutiny. The Health Care Financing Administration (HCFA) has had mixed success in running the program. HCFA has developed payment methods that have contained cost growth. HCFA has also paid its fee-for-service claims quickly and at low administrative cost. However, HCFA has had difficulty ensuring that it paid claims appropriately. In addition, Medicare claims administration contractors have done a poor job of communicating with Medicare providers. HCFA has taken important steps to address some of these shortcomings, including strengthening payment safeguards, but several

factors have hampered its efforts. Despite its growing responsibilities, HCFA suffers from staffing shortages. The agency also continues to rely on archaic computer systems. At the same time, HCFA has faltered in its attempts to adopt a results-based approach to agency management. Constraints on the agency's contracting authority have limited its use of full and open competition to select claims administration contractors and assign administrative tasks. Rising expectations among Medicare beneficiaries and providers are putting pressure on the Center for Medicare and Medicaid Service to modernize and improve agency operations. Such improvements will require HCFA to begin a performance-based management approach that holds managers accountable for achieving program goals. Congressional attention also appears to be warranted if Medicare is to meet the challenges of the 21st century.

**Nursing Workforce: Multiple Factors Create Nurse Recruitment and Retention Problems**, by Janet Heinrich, Director for Public Health Issues, Health Care, before the Senate Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia, Committee on Governmental Affairs.

GAO-01-912T, June 27 (12 pages).

Health care providers' difficulties in recruiting and retaining nurses may worsen as the demand for nurses rises with the aging of the population. Demographic changes are widening the gap between the numbers of people needing care and available caregivers. Moreover, the current high levels of job dissatisfaction among nurses because of management decisions to restructure health care delivery and staffing may play a crucial role in the extent of future nurse shortages. Efforts to improve the workplace environment may reduce the likelihood that nurses will leave or consider leaving the profession. More data on the exact scope and nature of the problem are needed to help plan and target corrective measures. Providers, states, and the federal government have the opportunity to collect and analyze critical information on changes in the supply of and demand for nurses.

## Housing

**Federal Housing Programs:  
What They Cost and What They Provide**

GAO-01-901R, July 18 (52 pages).

In fiscal year 1999, the federal government provided housing assistance to about 5.2 million renter households at a cost of about \$28.7 billion in outlays and tax credits. Of this amount, more than \$15 billion supported housing units developed under production programs that no longer receive appropriations to produce new or rehabilitated units. This report focuses on six programs that continue to increase the number of households assisted by the federal government: the housing voucher program, which is the largest source of federal funds for housing assistance, and five production programs that now receive federal funds to produce new or rehabilitate units. GAO found that production programs are more expensive than housing vouchers. GAO estimates that the total per-unit costs for housing production programs are from 32 to 59 percent greater than for housing vouchers in the first year and from 12 to 27 percent greater over 30 years. If cost was the only consideration, the production programs reviewed in this report should have been replaced with vouchers. However, in many markets, production programs are the only source of new affordable rental units, and use restrictions will keep these units affordable for decades to come, limiting the impact of market forces on the supply of affordable units. There are also substantial differences in the housing and services provided under each of the production programs that must be considered. Finally, in many urban areas, the production programs have formed an integral part of an overall community development strategy. As a matter of public policy, the benefits of increasing the supply of affordable units, providing additional services for special needs populations, and revitalizing distressed communities must be weighed against the alternative benefits of serving more households at a lower average cost through vouchers.

**HUD Inspector General:**

**Actions Needed to Strengthen Management and Oversight of Operation Safe Home**

GAO-01-794, June 29 (40 pages).

This report reviews the Department of Housing and Urban Development's (HUD) efforts to combat violent crime and drug trafficking in public housing through Operation Safe Home. GAO found that Operation Safe Home lacks the necessary information systems and management controls to ensure that HUD's Office of Inspector General (OIG) can readily monitor the obligation and expenditure of funds and track the numbers of arrests and convictions. As a result, the OIG cannot reliably allocate program resources or accurately estimate its funding needs. Furthermore, without

complete, consistent, or accurate information, the OIG cannot provide Congress with reliable and supportable information on Operation Safe Home's accomplishments. The OIG recognizes the need for more effective management controls within Operation Safe Home and has begun to address the problem. These actions, once implemented, should help the OIG to allocate resources more effectively, better estimate future funding needs, and more accurately measure and report the program's accomplishments. However, GAO remains concerned about OIG's long-term involvement in Operation Safe Home. The OIG cannot independently and impartially audit or investigate Operation Safe Home, and may not be perceived as impartial when auditing other similar HUD programs. For these reasons, Operation Safe Home raises questions about the OIG's ability to independently audit and investigate HUD programs designed to reduce violent and drug-related crime in public and assisted housing.

#### **HUD Multifamily Housing:**

##### **Improved Follow-up Needed to Ensure That Physical Problems Are Corrected**

GAO-01-668, June 21 (49 pages).

The Department of Housing and Urban Development (HUD) assists nearly 30,000 privately owned and operated multifamily properties to provide affordable housing for low- and moderate-income persons. HUD is responsible for ensuring that the owners of HUD-assisted properties provide housing that is decent, safe, sanitary, and in good repair. HUD began its Real Estate Assessment Center (REAC) in 1998 to inspect multifamily properties and rate their condition. This report addresses whether (1) HUD field offices are complying with the procedures HUD established to ensure that the physical deficiencies at these properties are corrected, (2) all physical deficiencies have been corrected at properties that HUD classified as repaired, and (3) HUD staff and property owners are meeting the Department's timeliness goals and requirements for addressing physical deficiencies. GAO found that HUD's field offices often did not follow the Department's procedures for ensuring that property owners are correcting all physical deficiencies. GAO visited properties that HUD said had been repaired and found that about half them had not been corrected. Furthermore, HUD's staff and property owners are not meeting timeliness goals and requirements for addressing physical deficiencies.

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**Multifamily Housing:  
Issues Related to Mark-to-Market Program Reauthorization**

GAO-01-800, July 11 (47 pages).

The Office of Multifamily Housing Assistance Restructuring (OMHAR) runs the mark-to-market program, which was created to preserve the affordability of low-income rental housing while reducing the long-term costs of Section 8 project-based assistance. Legislative authorization for both the mark-to-market program and OMHAR is scheduled to end on September 30, 2001. If the legislative authority for the mark-to-market program provided for in Subtitle A of the Multifamily Assisted Housing Reform and Affordability Act of 1997 is allowed to expire, the Department of Housing and Urban Development (HUD) estimates that it will have to reduce the rents to market levels for more than 1,000 properties without having the tools to mitigate the potential effects of such reductions. If the reduced rents do not provide enough revenues to cover the properties' operating expenses, mortgage payments, and repair needs, owners may be forced to reduce expenditures for maintenance or other operating expenses or may default on their mortgages. Such action could cause properties to deteriorate and lead to substantial claims against the Federal Housing Administration insurance fund, which, in turn, could harm property residents and decrease the supply of affordable housing. Transferring authority for the mark-to-market program to HUD's Office of Housing could potentially facilitate the handling of some mark-to-market related functions that have required coordination between OMHAR and the Office of Housing. Although the mark-to-market program is successful and restructurings have generated savings at several properties, the requirement that rents be reduced to market has increased the risk of physical and financial problems at other properties.

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**Income Security**

**Retirement Savings:  
Opportunities to Improve DOL's SAVER Act Campaign**

GAO-01-634, June 26 (23 pages).

Many of workers today may not be financially prepared for retirement when they stop working. Many people are counting on Social Security alone, without an additional retirement plan. The Savings Are Vital to Everyone's Retirement (SAVER) Act of 1997 requires the Department of Labor (DOL) to hold periodic national summits and run a outreach program



to promote retirement saving. This report (1) identifies major accomplishments of the 1998 summit and issues that might affect future summits, (2) describes DOL's outreach program, and (3) determines what DOL knows about the effectiveness of the summit and outreach program. GAO found that the 1998 National Summit made progress in identifying problems that workers face in saving for retirement. DOL's Outreach Program—the Retirement Savings Education Campaign—targets of small business owners, women, minorities, and youth to change the way they think about, and act on, their retirement saving needs. DOL has not tried to assess the extent to which outreach efforts from the 1998 National Summit and Pension and Welfare Benefits Administration have increased the public's knowledge and understanding of retirement savings.

## Information Management

### FTS2001 Implementation Issues

GAO-01-855R, July 2 (6 pages).

The General Services Administration (GSA) awarded FTS2001 contracts to Sprint and MCI Worldcom to provide long distance telecommunications services to federal agencies. The federal government began the sizable and complex effort of switching from the existing FTS 2000 contracts to FTS2001 in June 1999. Several implementation issues have delayed this transition. One of these issues concerns the billing problems experienced by GSA and its contractors. GAO found that the billing problems often arose from changes in contracts and services. According GSA, these issues also arose from the differences between contractors' commercial billing practices and the government's practices. Because these billing problems were not promptly resolved, they had an adverse effect on the transition progress. GSA is taking steps to resolve current billing problems. It is tracking issues as they arise, and it is now trying to resolve 12 issues still outstanding with Sprint and MCI WorldCom, including the problem of commercial billing. In addition, GSA's Office of Inspector General recently began a review of the FTS2001 billing area, which might also identify ways to prevent future billing problems. Another issue that affected the transition progress concerns the databases that supported the transition process. GAO found that although GSA developed an automated system to track transition data and develop reports, the FTS2001 contractors did not furnish GSA with the data it needed to populate that management system's database. As a result, GSA and agency transition managers did not receive the timely and up-to-date information they needed to effectively plan and manage transition activities.

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**Information Security:**

**Weak Controls Place Interior's Financial and Other Data at Risk**

GAO-01-615, July 3 (27 pages).

This report reviews information system general controls over the financial systems maintained by the Department of the Interior at its National Business Center (NBC) in Denver, Colorado. GAO found that although the Denver center has made progress in correcting previously cited computer security weaknesses, additional weaknesses affect the Denver center's information system control environment. These weaknesses affect the center's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive personnel information, and restrict physical access to sensitive computing areas. The Denver center did not adequately limit access granted to authorized users, control all aspects of the system software controls, or secure access to its network. Also, the Denver center had not fully established a comprehensive program to routinely monitor access to its computer facilities and data and to identify and investigate unusual or suspicious access patterns that could indicate unauthorized access. The primary reason for these weaknesses was that the Denver center had not yet fully developed and implemented a comprehensive entitywide program to manage computer security.

**Telecommuting:**

**Overview of Potential Barriers Facing Employers**

GAO-01-926, July 11 (18 pages).

Employers face potential tax, regulatory, and liability barriers when they establish telecommuting programs for their employees. Telecommuting refers to working from remote locations rather than an employer-provided location. Even though telecommuting has grown, some proponents are concerned that various laws and regulations discourage employers from establishing these programs. Many telecommuting proponents believe that significant obstacles to increased use of telecommuting involve internal management concerns on (1) assessing whether the employer has the types of positions and employees suitable for a telecommuting program, (2) maintaining security over sensitive company data while monitoring the actions of remote workers, and (3) ensuring that telecommuting activities do not adversely affect profits. A number of state and federal laws and regulations were also cited as potential barriers to telecommuting by those GAO interviewed. However, several of those laws and regulations cited as

potential barriers predate the move toward the more technological and information-based economy in which telecommuting has developed. Thus their application to telecommuting is evolving and is somewhat unclear at this time.

## Testimony

Electronic Government: Challenges Must Be Addressed With Effective Leadership and Management, by David L. McClure, Director for Information Technology Management Issues, Information Technology, before the Senate Committee on Governmental Affairs.

GAO-01-959T, July 11 (37 pages).

Advances in the use of information technology (IT) and the Internet continue to change the way that federal agencies communicate, use and disseminate information, deliver services, and do business. Electronic government (e-government) refers to the use of technology, particularly web-based Internet applications, to enhance the access to and delivery of government information and service to citizens, business partners, employees, other agencies, and entities. This testimony discusses the status of federal e-government initiatives, the key challenges facing the government in implementing these initiatives, and the chief information officer (CIO) approach proposed by the E-Government Act of 2001. GAO found that federal agencies have launched an array of e-government applications, including using the Internet to collect and disseminate information and forms; buy goods and services; submit bids and proposals; and apply for licenses, grants, and benefits. Many of these initiatives have the potential to increase the speed and efficiency with which citizens and businesses interact with the government. However, the government faces several challenges in transitioning to an electronic environment. Among other issues, the government must minimize the risks associated with the dissemination of personal information and maintain a focus on the needs of citizens accessing government Web sites. The E-Government Act of 2001 would create a federal CIO who would address these challenges. The CIO would provide the strong central leadership role needed to provide guidance to federal agencies concerning information resources and technology management.

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## International Affairs

### **NATO: U.S. Assistance to the Partnership for Peace**

GAO-01-734, July 20 (26 pages).

After the collapse of the former Soviet Union and the Warsaw Pact in 1991, North Atlantic Treaty Organization (NATO) allies and the United States sought new ways to cooperate with the political and military leadership of their former adversaries. In January 1994, NATO established the Partnership for Peace to increase defense cooperation with former Warsaw Pact members and other former communist states in Central and Eastern Europe. Supported by the United States through the Warsaw Initiative, the Partnership plays a key role in developing the capabilities of those states and reforming their defense establishments. Given the key role the Partnership for Peace has played in the transformation of NATO's relationship with these states, the significant U.S. involvement and investment in this program through the Warsaw Initiative, and the impending debate on potential NATO members drawn from the Partnership, this report (1) provides an historic overview of previous NATO accessions, (2) describes the cost and content of the Warsaw Initiative, and (3) describes the results and benefits of Warsaw Initiative programs.

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## Testimony

Trade Adjustment Assistance: Improvements Necessary, but Programs Cannot Solve Communities' Long-Term Problems, by Loren Yager, Director, International Affairs and Trade, before the Senate Subcommittee on International Trade, Committee on Finance.

GAO-01-988T, July 20 (20 pages).

The Trade Adjustment Assistance (TAA) Program and the North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA-TAA) Program are designed to help dislocated workers, communities, and firms adjust to the rapid economic changes accompanying the globalization of national economies. Although globalization has increased the importance of technology and service sector jobs, it has also resulted in the loss of many manufacturing jobs as companies that cannot compete with lower-priced imports go out of business or relocate abroad. The federal government recognizes that although the benefits of increased trade are widely dispersed across the economy, the costs of worker dislocation effects are more localized. This has heightened concerns about the efficacy

of federal trade adjustment assistance efforts. This testimony discusses (1) the nature of trade impacts on communities and the use of benefits and services under TAA and the NAFTA-TAA programs, (2) the structural problems that impede effective delivery of those services and benefits, and (3) the longer-term challenges facing trade-impacted communities.

## Justice and Law Enforcement

### **DEA's Mobile Enforcement Teams: Steps Taken to Enhance Program Management, but More Can Be Done**

GAO-01-482, July 26 (94 pages).

This report discusses the Drug Enforcement Administration's (DEA) Mobile Enforcement Team Program. GAO found that since the program was established in 1995, DEA has enhanced its management of the program and provided for greater headquarters oversight and monitoring. In implementing the program and carrying out deployments, the field division METs generally complied with some of the pertinent requirements and guidelines that GAO reviewed. However, some DEA headquarters files did not contain adequate documentation, and GAO could not determine whether the METs consistently and adequately assessed the requesting local law enforcement agencies' abilities to address, on their own, the drug and related violence problems for which DEA's program assistance was requested. DEA expects the program to focus on specific, targeted gangs in the areas in which the METs are deployed and that deployments will generally continue until the targeted individuals are arrested and the targeted drug gangs have been disrupted or dismantled. Consistent with the nature and objectives of the program, investigators focused primarily on street-level drug dealers and were mostly local and regional in scope. DEA collects data on various performance measures to assess the results of individual deployments and the overall program. It reports internally and externally on program results for some of the performance measures. However, the measures have problems and limitations related primarily to the inconsistency in data collection.

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**FBI Official's Congressional Testimony Was Inaccurate Because He Failed to Present Certain Information That Had Been Made Available to Him About the Wen Ho Lee Investigation**

GAO-01-869R, June 28 (5 pages).

This report discusses information that the Federal Bureau of Investigation (FBI) provided to Congress on its investigation of Wen Ho Lee, a scientist formerly employed at the Los Alamos National Laboratory. GAO focuses on whether the congressional testimony of Neil J. Gallagher, Assistant Director of the FBI's National Security Committee, was false or purposely misleading. GAO found that part of Mr. Gallagher's testimony before the Senate Committee on Governmental Affairs, in which he expressed full confidence in an administrative inquiry by the Department of Energy, was inaccurate and misleading. Mr. Gallagher had ample opportunity to know and should have known that the FBI's Albuquerque Field Office had concerns about the administrative inquiry. Although GAO concluded that Mr. Gallagher's testimony was inaccurate, GAO was unable to determine whether he intentionally misled the Committee.

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**Testimony**

**Central Intelligence Agency: Observations on GAO Access to Information on CIA Programs and Activities**, by Henry L. Hinton, Managing Director, Defense Capabilities and Management, before the House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform, and the House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform.

GAO-01-975T, July 18 (11 pages).

Oversight of the Central Intelligence Agency (CIA) generally comes from two select committees of Congress and the CIA's Inspector General. GAO has broad authority to evaluate CIA programs. In reality, however, GAO faces both legal and practical limitations on its ability to review these programs. For example, it has no access to some CIA "unvouchered" accounts and cannot compel its access to foreign intelligence and counterintelligence information. In addition, as a practical matter, GAO is limited by the CIA's level of cooperation, which has varied through the years. GAO has not actively audited the CIA since the early 1960s, when it discontinued such work because CIA was not providing it with enough access to information to allow GAO to do its job. The issue has arisen since

then from time to time as GAO's work has required some level of access to CIA programs and information. However, given a lack of requests from Congress for GAO to do specific work at the CIA and its limited resources, GAO made a decision not to pursue the issue further. Today, GAO's dealings with the CIA are mostly limited to information requests that relate either to governmentwide reviews or analyses of threats to U.S. national security on which the CIA might have some information. The CIA provides GAO with the requested information, provides the information with some restrictions, or does not provide the information at all. In general, GAO is most successful in obtaining CIA information when it requests threat assignments and when the CIA does not perceive GAO's audits as oversight of its activities.

Prisoner Releases: Reintegration of Offenders Into Communities, by Laurie E. Ekstrand, Director for Justice Issues, Tax Administration and Justice, before the House Subcommittee on District of Columbia, Committee on Government Reform.

GAO-01-966T, July 20 (15 pages).

This testimony discusses prisoner releases and reintegration programs and provides some perspectives on the particular challenges posed by the District of Columbia offenders. Nationally, the total inmate population in federal and state prisons increased almost fourfold during the last two decades. Consistent with the trend of larger prison populations, the number of inmates who complete their sentences and return to communities has also risen significantly in recent years, surpassing the half-million mark in 1998. After being released, many individuals—about 40 percent historically—later return to prison for new offenses or parole violations. The Bureau of Justice Statistics' (BJS) most recent nationwide survey of prison inmates showed that 40 percent of federal inmates and 55 percent of state inmates in prison in 1997 had served prior sentences. BJS data showed that D.C. offenders, in particular, had more extensive criminal histories than the national averages. For example, 98.3 percent of all adult probationers in D.C. had prior convictions, almost twice the national average of 50 percent. BJS' 1997 survey also showed that the bulk of inmates in prison were drug abusers. The National Institute of Justice noted that 69 percent of D.C. offenders arrested in 1999 tested positive for at least one type of drug. GAO found deficiencies in some reintegration programs for D.C. prisoners. For example, few D.C. inmates had the benefit of a transitional period in a halfway house before being released to the community. Although acknowledging that much progress has been made,

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the Corrections Trustee for the District of Columbia said that a shortage of halfway house beds persists. Several national and D.C. reintegration initiatives exist to assist offenders who are returning to the community. The Young Offender Initiative, the Reentry Grant Program, and the Demonstration Grant Program are among the programs that focus on reducing recidivism, developing job skills, and treating drug abuse problems. This testimony summarizes a June report (GAO-01-483).

U.S. Customs Service: Observations on Selected Operations and Program Issues, by Laurie E. Ekstrand, Director, Tax Administration and Justice, before the House Subcommittee on Trade, Committee on Ways and Means.

GAO-01-968T, July 17 (7 pages).

This testimony discusses three issues on selected U.S. Customs Service programs and operations. First, concerning the Automated Commercial Environment (ACE), a more capable import processing system designed to replace Customs' current aging and error-prone system, GAO concluded that Customs' plan constituted a reasonable first step on a complex, long-term modernization program. Pursuant to its obligation to review ACE expenditures, GAO plans to continue monitoring Customs' ongoing modernization efforts. Second, GAO found that Customs' Office of Regulations and Rulings headquarters did not issue the majority of its rulings in a timely manner. Finally, GAO found that if proposed legislation on Customs officers' night pay had been in effect during fiscal year 1999, the officers would have received about \$6 million in night differential pay. Furthermore, across the five ports GAO reviewed, the impact on officers' pay varied widely because of the differences in shift patterns.

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## National Defense

### **Air Force Inventory: Parts Shortages Are Impacting Operations and Maintenance Effectiveness**

GAO-01-587, June 27 (31 pages).

Spare parts shortages on the three Air Force systems GAO reviewed have undermined the performance of assigned missions and the economy and efficiency of maintenance activities. Specifically, the Air Force did not meet its mission-capable goals for the E-3 or C-5 aircrafts during fiscal years 1996-2000, nor did it have enough F-100-220 engines to meet peacetime and wartime goals during that period. These shortages may also affect



personnel retention. GAO recently reported that the lack of parts and materials to successfully complete daily job requirements was one of six major factors causing job dissatisfaction among military personnel. Item managers at the maintenance facilities often indicated that spare parts shortages were caused by the inventory management system underestimating the need for spare parts and by delays in the Air Force's repair process as a result of the consolidation of repair facilities. Other reasons included difficulties with producing or repairing parts, reliability of spare parts, and contracting issues. The Air Force and the Defense Logistics Agency have planned or begun many initiatives to alleviate shortages of the spare parts for the three systems GAO reviewed.

**DOD Officials Acted in Accordance With Executive Order for Addressing Security Classification Concerns**

GAO-01-737R, June 12 (5 pages).

This report investigates whether the Department of Defense (DOD) misused the security classification process to stifle public discussion of problems with the National Missile Defense System. On May 11, 2000, Dr. Theodore Postol reported an alleged incident of fraud to John Podesta, former White House Chief of Staff. Dr. Postol wrote a letter that alleged scientific fraud by contractors involved in developing the National Missile Defense system for DOD's Ballistic Missile Defense Organization (BMDO). The letter contained Dr. Postol's analysis of public data and extracts from documents he used to reach his conclusion. BMDO's decision to classify Dr. Postol's letter prompted him to write another letter to Mr. Podesta complaining that the classification was an attempt to restrict his public exposure of scientific fraud. Dr. Postol wrote a third letter to Mr. Podesta complaining that an unscheduled visit by the Defense Security Service (DSS) was an attempt to intimidate him and violate his First Amendment rights. GAO found that DOD's decision to conduct a security classification review was performed in accordance with Executive Order 12958. Similarly, BMDO's subsequent request that DSS contact Dr. Postol to discuss concerns that his letter contained classified information was made in accordance with DOD's regulations. The discovery by BMDO officials that the documents enclosed with Dr. Postol's letter were similar to classified DOD documents prompted the security classification review and DSS visit to Dr. Postol.

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**Defense Budget:**  
**Need to Better Inform Congress on Funding for Army Division Training**

GAO-01-902, July 5 (25 pages).

Congress has expressed concern about the extent to which the Department of Defense has moved funds that directly affect military readiness, such as those that finance training, to pay for other subactivities within its operation and maintenance (O&M) account, such as real property maintenance and base operations. This report reviews the (1) Army's obligation of O&M division training funds and (2) readiness of the Army's divisions. GAO found that the Army continued to use division training funds for purposes other than training during fiscal year 2000. However, the reduced funding did not interfere with the Army's planned training events or exercises. The Army's tank units also reported that, despite the reduced funding and their failure to meet their tank mileage performance goal, their readiness remained high. Specifically, many tank units reported that they could be fully trained for their wartime mission within a short time period. Units that reported that they would need more time to become fully trained generally cited personnel issues, rather than a lack of training funds, as the reason. Even so, starting in fiscal year 2001, the Army has begun to restrict moving training funds by exempting unit training funds from any Army headquarters' adjustments and requiring prior approval before Army commands move any training funds.

**Defense Logistics:**  
**Information on Apache Helicopter Support and Readiness**

GAO-01-630, July 17 (27 pages).

This report examines selected logistics, funding, and readiness issues pertaining to the AH-64 Apache helicopter program. GAO found that the Apache's identified sustainment systems technical support requirements have not been fully met in fiscal years 2000 and 2001. In fiscal year 2000, funding fell short of the \$28.6 million needed for Apache sustainment support. The military projects that it will be able to meet only 56 percent of the Apache's sustainment support requirements for fiscal years 2001-2003. Furthermore, because the Apache sustainment support projects must compete with other weapon systems for limited funding, some Apache projects have been delayed or limited in scope. GAO also found that the procurement of parts for the Apache is hampered by an outdated inventory

system. The technical manuals used by field and depot personnel lack critical technical drawings and specifications, and the Army must resort to other methods, such as reverse engineering, to compensate for the lack of data. Finally, the Army has several unfunded requirements for Apache component upgrades for fiscal years 2001 and 2002. GAO found, however, that these issues have not prevented the Apache fleet from meeting its readiness goals.

**Military Personnel:**

**Perceptions of Retention-Critical Personnel Are Similar to Those of Other Enlisted Personnel**

GAO-01-785, June 28 (71 pages).

This report reviews the Department of Defense's 1999 broad-based survey of active duty personnel to help shed light on why servicemembers in critical occupational areas might be leaving the military. From comparing the responses of retention-critical personnel against other enlisted personnel, GAO concludes that personnel in retention-critical occupations are not being "pushed out" of the military by their experiences at a greater rate than other enlisted personnel. Rather, to the extent they possess marketable skills, it is more likely they are being "pulled out" of the military by more attractive civilian opportunities. Comparing retention-critical personnel against other enlisted personnel, GAO found that the expectations and experiences of personnel serving in retention-critical occupations were often similar to those of other enlisted personnel. Personnel in retention-critical occupations were generally as satisfied with military life as were other enlisted personnel and each group's career intentions were similar. Nearly half of both retention-critical and other enlisted personnel were satisfied with the military way of life. Perceptions of civilian life for those serving in retention-critical occupations were mixed. Overall, most enlisted personnel had a positive perception about work-related opportunities and the quality of life available in the civilian world. Those in retention-critical occupations that had highly marketable skills, such as electronics equipment repairers, were especially optimistic about their prospects for civilian employment.

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**Tactical Aircraft:**

**Continuing Difficulty Keeping F-22 Production Costs Within the Congressional Limitation**

GAO-01-782, July 16 (17 pages).

The Air Force F-22 Raptor, an air superiority aircraft with an air-to-ground attack capability, is set for completion in September 2003. However, contracts to begin 10 low-rate initial production aircraft for fiscal year 2001 have been delayed until after completion of the President's review of Department of Defense (DOD) programs. The Air Force plans to procure 333 production aircraft through 2013. The cost of F-22 production is limited by law, but the total number of aircraft to be procured is unspecified. This report (1) identifies the cost reduction plans by F-22 contractors, (2) compares the latest F-22 production cost estimates completed by the Air Force and the Office of the Secretary of Defense with the congressional cost limitation and determines the extent to which cost reduction plans were considered in establishing these estimates, and (3) provides the status of DOD's actions to implement GAO's earlier recommendations on production cost estimates and cost reduction plans for the F-22 program. GAO found that enhancing production technology, improving manufacturing techniques, and improving acquisition practices have attributed to cost reduction. Both the Air Force and the Office of the Secretary cost estimators projected that F-22 production costs would exceed the congressional cost limitation if the Air Force were to procure 333 F-22s. DOD and the Air Force have partially responded to the recommendations in GAO's August 2000 report on the F-22.

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**Testimony**

DOD Competitive Sourcing: A-76 Program Has Been Augmented by Broader Reinvention Options, by Barry W. Holman, Director, Defense Capabilities and Management, before the House Subcommittee on Technology and Procurement Policy, Committee on Government Reform.

GAO-01-907T, June 28 (20 pages).

This testimony discusses the Department of Defense's (DOD) use of the Office of Management and Budget's Circular A-76, which establishes federal policy for the performance of recurring commercial activities. DOD has been a leader among federal agencies in the use of the A-76 process and at one point planned to use the process to study more than 200,000 positions over several years. However, the number of positions planned for

study has changed over time and the Department recently augmented its A-76 program with what it terms strategic sourcing. DOD has saved money through the A-76 process primarily by reducing the number of in-house positions. Yet, GAO has repeatedly found that it is extremely difficult to measure the precise amount of savings because available data has been limited and inconsistent. The lessons learned from DOD's A-76 program include the following: (1) studies have generally taken longer than initially expected, (2) studies have generally required higher costs and resources than initially projected, (3) finding and selecting functions to compete can be difficult, and (4) making premature budget cuts on the assumption of projected savings can be risky. Both government groups and the private sector have expressed concerns about the fairness, adequacy, costs, and timeliness of the A-76 process.

## Natural Resources

### **Chemical Safety:**

#### **Status of Changes to the National Fire Protection Association Code for Propane**

GAO-01-709, July 6 (16 pages).

Liquefied petroleum gas (propane) has thousands of uses in homes, farms, and workplaces and is widely available in the United States. Although propane can be stored and handled safely, serious propane-related accidents have resulted in death and the destruction of property. At times, the efforts of local emergency personnel to respond to such accidents have been impeded by lack of hazard and safety information. This report describes (1) relevant revisions to the 1998 version of the code that were published in the 2001 version, as well as the process used to revise the code, (2) the views of key stakeholders about whether the 2001 version of the code provides local emergency response personnel with enough information to prepare for and respond to emergencies involving propane, and (3) the status of state and local government adoption of the 2001 code. The 2001 version of the NFPA code strengthens provisions of previous versions regarding information on the off-site effects of accidental propane releases. According to the nine key stakeholders interviewed by GAO, the 2001 version of the code would make more information available to local emergency response personnel. All but one of the stakeholders said that additional changes to the code or the process for revising the code may be needed. GAO was unable to determine the overall status of state and local government adoption of the 2001 version of the code.

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**Park Service:**

**Visitor Center Project Costs, Size, and Functions Vary Widely**

GAO-01-781, July 24 (66 pages).

Visitor centers at the national parks are among the most important facilities run by the National Park Service. As existing visitor centers age and new parks are created, renovated or new facilities are needed. This report discusses (1) the number, the status, and the reasons for Park Service visitor center projects; (2) whether the projects involve new construction or the renovation of existing buildings; (3) whether these projects were designated priorities by the Park Service or by Congress; (4) the costs and functions of the projects; and (5) the funding sources for the projects. GAO found that from 1996 through 2005, the Park Service has completed or planned 80 projects to renovate or build new visitor centers. The renovations and new construction are intended to replace aging facilities and exhibits, to provide more space, and to handle rising numbers of visitors. Of the 80 projects, 53 were a priority of the Park Service and 27 were a priority of Congress. The Park Service estimates that the total cost of the 80 projects will be \$542 million. The visitor center projects are funded primarily by the Park Service's appropriated funds. Other funding sources include private partnerships and fee demonstrations.

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## Science, Space, and Technology

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**Testimony**

Intellectual Property: Information on the Federal Framework and DOD's Other Transaction Authority, by Jack L. Brock, Managing Director, Acquisition and Sourcing Management, and John B. Stephenson, Director, Natural Resources and Environment, before the House Subcommittee on Technology and Procurement Policy, Committee on Government Reform.

GAO-01-980T, July 17 (12 pages).

The research and development environment has changed dramatically during the last several decades. The government is no longer in the driver's seat, but it still needs access to research and technology advances. At the same time, its effort to compete for access must be balanced against a range of commercial, economic, legal, and other interests. The vehicles

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discussed in this testimony (the Bayh-Dole Act and Department of Defense "other transaction" authority) are among the tools that the government can use to attract new players to the research and development arena and to maintain access to advances. However, effective use of these tools requires good training and a greater exercise of reasoned discretion among program officials and contracting officers. The Defense Department has taken a very good first step in developing appropriate guidance. However, the next steps are more critical: providing the training and assurances that the guidance will be appropriately implemented.

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## Social Services

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### Testimony

Food Stamp Program: Program Integrity and Participation Challenges, by Robert E. Robertson, Director, Education, Workforce, and Income Security, before the House Department Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture.

GAO-01-881T, June 27 (14 pages).

The Food and Nutrition Service (FNS) and the states have taken steps to reduce fraud, waste, and abuse in the Food Stamp Program. GAO's past work has found that FNS and the states need to make better use of electronic data to track individuals and storeowners who may be trafficking in food stamps. GAO also found that financial sanctions and enhanced funding have been at least partially successful in focusing states' attention on minimizing payment errors. However, this "carrot and stick" approach can accomplish only so much. Food stamp regulations for determining eligibility and benefits are extremely complex and their application is inherently error-prone and costly to administer. Furthermore, this approach, carried to extremes, can create incentives for states to take actions that may inhibit achievement of one of the agency's basic missions—providing food assistance to needy persons. For example, requiring recipients to report income changes more frequently could decrease errors, but it could also have the unintended effect of discouraging participation by the eligible working poor. This would run counter not only to FNS' basic mission but also to an overall objective of welfare reform—helping people move successfully from public assistance into the workforce. Simplifying the Food Stamp Program's rules and regulations could reduce payment error rates and promote program participation by eligible recipients. FNS

has begun to look at ways to simplify requirements for determining benefits. However, in view of the upcoming reauthorization, it is critical that FNS follow through with this process and develop options that strike an appropriate balance between the sometimes competing objectives of ensuring program integrity and encouraging eligible individuals to participate. To be successful, this process must include a continuing dialogue with all appropriate stakeholders, including Congress and state officials, and must ensure that steps are taken to streamline the program while at the same time improving program integrity.

## Transportation

### **Aviation Rulemaking:**

#### **Further Reform Is Needed to Address Long-standing Problems**

GAO-01-821, July 9 (103 pages).

The Federal Aviation Administration (FAA) issues regulations to strengthen aviation safety and security and to promote the efficient use of airspace. FAA's rulemaking is a complicated process intended to ensure that all aspects of any regulatory change are fully analyzed before any change goes into effect. During the last 40 years, many reports have documented problems in FAA's rulemaking efforts that have delayed the formulation and finalization of its rules. This report reviews FAA's rulemaking process. GAO reviewed 76 significant rules and found that FAA's rulemaking process varied widely. These rules constituted the majority of FAA's workload of significant rules from fiscal year 1995 through fiscal year 2000. GAO found that FAA had begun about 60 percent of the rulemaking projects by Congress and about a third of the rulemaking projects recommended by the National Transportation Safety Board within six months. For one-fourth of the mandates and one-third of the recommendations however, at least five years passed before FAA began the process. Once the rule was formally initiated, FAA took a median time of two and a half years to proceed from formal initiation of the rulemaking process through publication of the final rule. In 1998, FAA improved the rulemaking process and shortened the time frames for finalizing rules. These reforms included establishing a steering committee and a rulemaking management council to improve management involvement in setting priorities and resolving policy issues. GAO found that after the reforms were implemented, the median time for reviewing and finalizing a rule increased. This suggests that the productivity of FAA's rulemaking process for significant rules decreased after FAA's reforms.



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**Federal Highway Funding by Program and Type of Roadway, With Related Safety Data**

GAO-01-836R, July 16 (49 pages).

The National Association of Counties contends that rural roads do not receive the funding needed to make them safer. Rural local roads, which account for more than half of the 8.2 million miles of roadways in the United States, had the highest rate of fatalities per vehicle mile traveled of all types of roadways—over six times that of urban interstates. This report reviews federal highway funding on a state-by-state basis for fiscal years 1992 through 2000 by individual federal highway program and type of roadway. GAO found that about 59 percent of all federal highway funds available to states during fiscal years 1992 through 2000 were spent on urban roads; the rest went to rural roads. Although only about 40 percent of all vehicle miles were traveled on rural roads, about 60 percent of the traffic accident fatalities in 1999 took place on rural roads. The four largest federal highway aid programs that provided funding were the Surface Transportation, National Highway System, Interstate Maintenance, and Bridge Replacement Programs.

**Freight Railroad Regulation:**

**Surface Transportation Board's Oversight Could Benefit From Evidence Better Identifying How Mergers Affect Rates**

GAO-01-689, July 5 (54 pages).

Railroads have been a primary mode of freight transportation for many years, especially for bulk commodities such as coal and grain. During the last 25 years, the freight railroad industry has undergone substantial consolidation largely to reduce costs and increase efficiency and competitiveness. Some companies that rely on rail shipments are concerned that the mergers have reduced railroad competition and led to higher rail rates and poorer service. This report reviews (1) the role the Surface Transportation Board plays in reviewing proposed railroad mergers and overseeing mergers that have been approved and how post-merger oversight is conducted, (2) how the Board mitigates potential harm to competition, and (3) how the Union Pacific/Southern Pacific merger affected rail rates in selected geographic areas. GAO found that the Board reviews railroad merger proposals and approves those that are consistent with the public interest, ensures that any potential merger-related harm to competition is mitigated to preserve competition, and oversees mergers

that have been approved. The Board imposes conditions on mergers to mitigate potential harm to competition. The Board also focuses on the overall direction and magnitude of rate changes when analyzing rail rates as part of merger oversight. It does not isolate the effects of mergers on rates from other effects. When GAO used this approach to analyze how the Union Pacific/Southern Pacific merger affected rail rates, it found that the merger reduced rates in four of six commodities studied. However, for two of the commodities, the merger put upward pressure on rates, even though other factors caused overall rates to decrease. By focusing on overall rate decreases, the Board will be unable to determine whether the decrease is due to the merger or other factors.

#### **The High-Speed Rail Investment Act of 2001 (S. 250)**

GAO-01-756R, June 25 (42 pages).

The High-Speed Rail Investment Act of 2001 would allow the National Railroad Passenger Corporation (Amtrak) to issue up to \$12 billion in "tax credit bonds" over 10 years, primarily for capital improvement projects designated high-speed rail corridors and on Amtrak's Northeast Corridor. This report reviews the (1) cost of the bond-financing mechanism and alternatives to the U.S. Treasury, (2) degree to which bond proceeds would meet the capital needs of federally designated high-speed rail corridors, and (3) extent of the federal oversight role. GAO found that the estimated tax credit for Amtrak bonds would cost the U.S. Treasury between \$16.6 billion and \$19.1 billion (in nominal dollars) over 30 years. The overall capital needs of fully developed federally designed high-speed rail corridors are unknown because these initiatives are in various stages of planning, but preliminary estimates by Amtrak puts the capital costs for fully developed high-speed rail corridors and its Northeast Corridor at between \$50 billion and \$70 billion over 20 years. The proposed legislation would require the Secretary of the Treasury to report annually on whether the amount of money in the trust account is sufficient to repay the bonds. The Department of Transportation would approve projects selected by Amtrak before Amtrak issues the bonds.

#### **Testimony**

**Alternative Motor Fuels and Vehicles: Impact on the Transportation Sector**, by James E. Wells, Director, Natural Resources and Environment, before the Senate Committee on Finance.

GAO-01-957T, July 10 (7 pages).

The transportation sector accounts for roughly two thirds of the nation's petroleum consumption and one quarter of the total U.S. energy use. Several steps have been taken during the last 25 years either to reduce petroleum consumption or to increase fuel diversity in the transportation sector, including tax incentives, mandates for alternative fuel vehicles, and laws to promote automobile fuel efficiency. This testimony discusses the extent of alternative fuel vehicle acquisition and fuel use, some of the barriers inhibiting greater use of alternative fuels and vehicles, and the federal tax incentives used to promote the use of alternative motor fuels and vehicles. So far, alternative fuels and vehicles have not made much of a dent in the conventional fuel and vehicle dominance of the U.S. vehicle fleet, primarily because of fundamental economic obstacles, such as the relatively low price of oil, insufficient availability of alternative fuel refueling infrastructure, and the relatively high cost of some alternative fuel vehicles. As GAO reported in February 2000 (RCED-00-59), any significant increase in the use of alternative motor fuels and vehicles by the general public will depend on the following two factors (1) a dramatic and sustained increase in the price of gasoline and (2) very large incentives, far above the current levels, to reduce the cost of using alternative fuels and vehicles. Depending on what happens to conventional fuel prices, these incentives would likely need to be maintained for some time—at least until the number of vehicles reaches the level necessary to support an economically sustainable infrastructure.

Aviation Rulemaking: Incomplete Implementation Impaired FAA's Reform Efforts, by Gerald L. Dillingham, Director, Physical Infrastructure, before the House Subcommittee on Aviation, Committee on Transportation and Infrastructure.

GAO-01-950T, July 11 (12 pages).

This testimony discusses the results of GAO's review of the Federal Aviation Administration's (FAA) rulemaking process and ways to improve its efficiency. GAO found that the time FAA took to formally initiate a rule in response to a congressional mandate or a National Transportation Safety Board recommendation varied widely. Between fiscal year 1995 and fiscal year 2000, FAA initiated most such rules within two years, but some rules were initiated many years later. During the six-year period GAO reviewed, FAA's median time for the final rule phase—about 15 months—was comparable to that of four other federal regulatory agencies. Over a shorter, more recent period, FAA took longer to complete this phase. In 1998, FAA developed reforms to address problems in the pace of

rulemaking, including the timing of management's involvement, the administration of the process, and human capital management issues. However, the reforms have yet to shorten the rulemaking process because they have not been fully or effectively implemented. Shifting priorities, some brought about by external events and some by internal circumstances, have continued to delay the pace of rulemaking. In addition, difficult policy issues have sometimes remained unresolved late in the process, and management has retained several layers of internal review. Rulemaking participants are unclear about their job responsibilities, and FAA's updated rulemaking information system contains consistent data on only the highest-priority rules. Recommended human capital management initiatives, including the establishment of a system for measuring and evaluating performance and creating performance incentives, have not yet been implemented. This report summarizes a July report (GAO-01-821).

## Veterans Affairs

### Testimony

VA Health Care: Continuing Oversight Needed to Achieve Formulary Goals, by Cynthia A. Bascetta, Director for Veterans' Health Care and Benefits Issues, Health Care, before the Senate Committee on Veterans' Affairs.

GAO-01-998T, July 24 (13 pages).

Although the Department of Veterans Affairs (VA) has made significant progress establishing a national formulary that has generally met with acceptance by prescribers and patients, VA oversight has not fully ensured standardization of its drug benefit nationwide. The three medical centers GAO visited did not comply with the national formulary. Specifically, two of the three medical centers omitted more than 140 required national formulary drugs, and all three facilities inappropriately modified the national formulary list of required drugs for some drug classes by adding or omitting some drugs. In addition, as VA policy allows, Veterans Integrated Service Networks (VISN) added drugs to supplement the national formulary ranging from five drugs at one VISN to 63 drugs at another. However, VA lacked criteria for determining the appropriateness of the actions networks took to add these drugs. In addition to problems standardizing the national formulary, GAO identified weaknesses in the nonformulary approval process. Although the national formulary directive

requires certain criteria for approving nonformulary drugs, it does not prescribe a specific nonformulary approval process. As a result, the processes health care providers must follow to obtain nonformulary drugs differ among VA facilities regarding how requests are made, who receives them, who approves them, and how long it takes to obtain approval. GAO found that the length of time to approve nonformulary drugs averages nine days, but it can be as short as a few minutes in some medical centers. In addition, some VISNs have not established processes to collect and analyze data on nonformulary requests. As a result, VA does not know if approved requests meet its established criteria or if denied requests are appropriate. This testimony summarized a December 1999 report (HEHS-00-34) and a January 2001 report (GAO-01-183).

## Reports on Agency Rules

GAO's Office of the General Counsel regularly issues legal decisions and opinions, reports on major rules issued by federal agencies prior to their implementation, and decisions resolving bid protests. These documents are posted on GAO's web site (<http://www.gao.gov>).

The following is a list of agency rules and legal decisions and opinions issued by the Office of the General Counsel. In addition to being available on the Internet, these documents can be obtained by using the order form in the back of this publication. Bid protest decisions are not included in this list.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Provisions of the Benefits Improvement and Protection Act of 2000; Inpatient Payments and Rates and Costs of Graduate Medical Education, GAO-01-876R, June 28.

Department of Veterans Affairs: Payment or Reimbursement for Emergency Treatment Furnished at Non-VA Facilities, GAO-01-989R, July 24.

Federal Communications Commission: Assessment and Collection of Regulatory Fees for Fiscal Year 2001, GAO-01-955R, July 26.

Federal Emergency Management Agency: Supplemental Property Acquisition and Elevation Assistance, GAO-01-942R, July 17.

## Legal Decisions and Opinions

Comments on Obligations Incurred by TRICARE Management Activity, B-287619, July 5.

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| <input type="radio"/> GAO-01-747  | <input type="radio"/> GAO-01-869R |                                   |  |
| <input type="radio"/> GAO-01-748  | <input type="radio"/> GAO-01-870R |                                   |  |
| <input type="radio"/> GAO-01-752  | <input type="radio"/> GAO-01-873  |                                   |  |
| <input type="radio"/> GAO-01-756R | <input type="radio"/> GAO-01-876R |                                   |  |
| <input type="radio"/> GAO-01-758  | <input type="radio"/> GAO-01-890R |                                   |  |
| <input type="radio"/> GAO-01-759  | <input type="radio"/> GAO-01-891R |                                   |  |
| <input type="radio"/> GAO-01-760  | <input type="radio"/> GAO-01-892R |                                   |  |
| <input type="radio"/> GAO-01-767  | <input type="radio"/> GAO-01-893R |                                   |  |
| <input type="radio"/> GAO-01-773  | <input type="radio"/> GAO-01-894R |                                   |  |
| <input type="radio"/> GAO-01-774  | <input type="radio"/> GAO-01-895R |                                   |  |
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Figure 1. The effect of the concentration of the *Agaricus bisporus* spores on the growth of *Agaricus bisporus* on the substrate. The concentration of the spores was 10<sup>4</sup> spores/ml (1), 10<sup>5</sup> spores/ml (2), 10<sup>6</sup> spores/ml (3), 10<sup>7</sup> spores/ml (4), 10<sup>8</sup> spores/ml (5), 10<sup>9</sup> spores/ml (6), 10<sup>10</sup> spores/ml (7), 10<sup>11</sup> spores/ml (8), 10<sup>12</sup> spores/ml (9), 10<sup>13</sup> spores/ml (10), 10<sup>14</sup> spores/ml (11), 10<sup>15</sup> spores/ml (12). The substrate was 100 g of the substrate (100 g of the substrate + 100 g of the substrate).

Case No.	Case Name	Case Type	Case Status	Case Date
1	Case 1	Case 1	Case 1	Case 1
2	Case 2	Case 2	Case 2	Case 2
3	Case 3	Case 3	Case 3	Case 3
4	Case 4	Case 4	Case 4	Case 4
5	Case 5	Case 5	Case 5	Case 5
6	Case 6	Case 6	Case 6	Case 6
7	Case 7	Case 7	Case 7	Case 7
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9. <i>Chlorophyll i</i>	100.00
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12. <i>Chlorophyll l</i>	100.00
13. <i>Chlorophyll m</i>	100.00
14. <i>Chlorophyll n</i>	100.00
15. <i>Chlorophyll o</i>	100.00
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17. <i>Chlorophyll q</i>	100.00
18. <i>Chlorophyll r</i>	100.00
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22. <i>Chlorophyll v</i>	100.00
23. <i>Chlorophyll w</i>	100.00
24. <i>Chlorophyll x</i>	100.00
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28. <i>Chlorophyll ab</i>	100.00
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31. <i>Chlorophyll ae</i>	100.00
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99. <i>Chlorophyll cu</i>	100.00
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1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.

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